



## Piper Jaffray Investment Management, LLC

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Form ADV Part 2 - Disclosure Brochure

Multi-Strategy Advisory Program

December 15, 2014

This Brochure provides information about the qualifications and business practices of Piper Jaffray Investment Management, LLC (“PJIM”). If you have any questions about the contents of this Brochure, please contact us at 612-303-6000. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

PJIM is a registered investment adviser. Registration of an Investment Adviser does not imply any particular level of skill or training. Additional information about PJIM also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

This section is intended to discuss only specific material changes made to the Brochure and provide clients with a summary of changes made subsequent to March 30, 2014, the date of the last update.

The Brochure was updated to reflect PJIM's assets under management as of November 30, 2014, and to reflect that PJIM no longer offers the sub-advisory services by Sage Advisory Services, Ltd. Co. ("Sage"), as part of the PJIM Multi-Strategy Advisory Program.

Additional information about Piper Jaffray Investment Management is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with PJIM who are registered, or are required to be registered, as investment adviser representatives of PJIM.

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## Item 4 – Advisory Business

This disclosure document deals solely with the asset management strategies currently limited to Piper Jaffray Multi-Strategy Advisory Program. This document provides information about Piper Jaffray Investment Management, LLC (“PJIM”) and its asset management strategies that should be considered before becoming a client of PJIM. This information has not been approved by any governmental authority.

### *General Information and Investment Advisory Services*

**Multi-Strategy Advisory Program.** The Multi-Strategy Advisory Program is a customized investment management program sponsored by PJIM through which client accounts are managed by SNW Asset Management, LLC (“SNW”) and StoneRidge Investment Partners (“StoneRidge”) or another investment adviser (each an “Investment Manager” or together the “Investment Managers”). The Multi-Strategy Management Advisory Program is offered and available to institutions, high net worth individuals, employee benefit plans, trusts and estates, businesses, municipalities and other governmental entities, and other suitable investors. A Piper Jaffray Representative works closely with each client to analyze and define client’s investment objectives and needs. In addition, the Piper Jaffray Representative is available to provide the client with information on the Investment Managers offering sub-advisory services under the program. For services rendered, the client pays a quarterly asset-based fee based on the value of the account and transaction fees, as described in the fees section. (See Item 5 – Fees and Compensation.)

Retirement Accounts in the Multi-Strategy Advisory Program are subject to the prohibited transaction provisions of the Code, including an “employee benefit plan” as defined in ERISA.

Account assets selected by the Investment Managers may include a wide variety of securities. These securities include, but are not limited to bonds and other fixed income securities (both taxable and non-taxable) and investment company securities. Securities selected are subject to any limitations imposed by the client or PJIM. Use of margin is not generally permitted in the Multi-Strategy Advisory Program accounts.

Account minimums are \$5,000,000 or more in investable assets per account. Account levels under \$5,000,000 may be negotiated between PJIM and the client.

**Assets Under Management.** PJIM manages all client assets on a discretionary basis in accordance with the terms of each client’s governing documents. As of November 30, 2014, PJIM had \$1,005,742,584 in discretionary assets under management across the various investment strategies employed by PJIM on behalf of its clients as of such date.

### *Additional Information Relating to Piper Jaffray Investment Management LLC*

In addition to sponsoring the Multi-Strategy Advisory Program, PJIM also offers a Piper Jaffray Municipal Opportunities Strategy and a Senior Living Investment Strategy. PJIM’s separate brochures

regarding the Municipal Opportunities Strategy and Senior Living Strategy are available upon request by contacting the Chief Compliance Officer at 612-303-6359.

Piper Jaffray & Co., (“PJ&Co.”), an affiliated SEC registered broker/dealer, will, as a normal course of its business solicit PJIM Fund investors and will make client referrals to the PJIM Multi-Strategy Advisory Program, as deemed appropriate. PJ&Co. is a full-service brokerage and financial services firm and is also a member of FINRA, various exchanges, the Securities Investor Protection Corporation (“SIPC”) and other financial services related organizations.

PJ&Co.’s broker-dealer activities are its principal business and account for the vast majority of its time, energies and resources.

PJ&Co.’s corporate headquarters are located at 800 Nicollet Mall, Minneapolis, Minnesota 55402. PJ&Co. services its clients from numerous branch offices located throughout the United States.

In addition to PJIM, PJ&Co. has affiliated investment advisory companies PJC Capital Partners LLC and Advisory Research, Inc. PJIM is an SEC-registered investment adviser providing investment advisory services for individuals, corporations, public entities, foundations, and endowments. PJC Capital Partners LLC is an SEC-registered investment adviser providing advisory services to private funds. Advisory Research, Inc. is an SEC-registered investment adviser providing services to institutional and high-net worth investors. PJ&Co. solicits clients for PJIM’s, PJC Capital Partners and Advisory Research Inc.’s advisory services and may receive a referral fee as a result of those solicitations.

PJIM, PJ&Co., PJC Capital Partners, and Advisory Research, Inc. are wholly owned subsidiaries of Piper Jaffray Companies, a financial holding company, publicly traded on the NYSE under the symbol PJC.

SNW Asset Management is a Seattle, Washington-based SEC Registered Investment Adviser offering fixed income portfolio management for individuals and institutional clients.

StoneRidge is a Philadelphia-based emerging and minority-owned, Registered Investment Adviser offering equity and fixed income investment solutions to institutional investors. StoneRidge manages assets for institutional investors including Taft Hartley plans, public funds, corporations, foundations, endowments and health care organizations.

## Item 5 – Fees and Compensation

The client pays PJIM a fee that may include compensation for:

- An initial analysis of the client's investment objectives and needs, with periodic re-evaluations, provided by PJIM;
- Investment management sub-advisory services by Investment Managers; and
- Performance reports and other account-related services provided by PJIM and the Investment Managers.

The program fee does not cover and the client will be additionally responsible and charged for:

- Commissions, mark-ups, spreads and other transactional charges on securities transactions effected through or with broker-dealers and specialized PJ&Co. custody fees such as wire transfers;
- Interest on debit account balances, where applicable;
- The entire public offering price (including underwriting commission or discounts) on securities purchased from an underwriter or dealer (including PJ&Co.) involved in a distribution of securities.
- Bid-ask spreads, odd lot differentials, exchange fees, transfer taxes and other fees required by law.
- Individual Retirement Account (IRA) fees, qualified retirement plan account fees and other account maintenance fees, where applicable.
- Short-term trading charges for purchases and corresponding redemptions of certain mutual fund shares (see fund prospectus for details) made within short periods of time. These short-term trading charges are imposed by the mutual funds to deter "market timers" who trade in fund shares.
- Custodial services provided by non-Piper Jaffray third party custodians in the Multi-Strategy Advisory Program.

**Multi-Strategy Advisory Accounts.** Fees are payable on a quarterly basis at the end of each quarter. Fees are calculated based on the custodian's appraisal of the market value of the average daily balance of the assets, excluding money market funds, held in the account over the quarter. Fees are assessed on all assets under management including securities and cash; however, money market fund balances are excluded. Margin debit balances do not reduce the value of assets under management.

The client authorizes PJIM to obtain the fee and authorized expense payments from the account maintained at the custodian.

Fees may, in certain circumstances be negotiated. Some clients may pay higher or lower fees depending on considerations such as:

- The size of the client's account;

- The amount of time the client has had an account with PJIM;
- The total amount of business the client conducts through Piper Jaffray; and
- Other relevant criteria.

Fees are prorated for any billing period that is less than a complete quarter.

The client agreement may be terminated by PJIM, the Investment Manager or the client upon written notice from the terminating party to each of the other parties. If the client agreement is terminated prior to the last day of the calendar quarter, then a pro rata portion of the fees will be paid by the client, less permitted deductions.

#### **StoneRidge Cash Management**

<u>Value of Account Assets</u>	<u>Annualized Fee Based on Average Daily Balance (as a % of Assets)</u>
First \$40 Million	0.20%
Next \$40 Million	0.15%
Above \$80 Million	0.10%
Fees are negotiated.	

#### **SNW Fixed Income Strategies**

The specific fee schedule ranges up to 60 basis points (0.60%) and is determined by the type of client, assets under management, and the strategy used to manage the portfolio.

Investors in money market funds indirectly pay a proportionate amount of the fees and expenses borne by the fund, including investment advisory, management, administrative, custodial and other fees, and expenses. To the extent that the client's uninvested cash balances are invested into a money market fund, the client will indirectly pay only those fees in connection with such balances, that, as a shareholder, are the client's pro rata portion of the money market fund's fees and expenses. Additional information regarding each money market fund option, including investment policies and fees and expenses is set forth in the fund's prospectus, which will be provided to clients. Clients should read the fund's prospectus carefully prior to making a selection.

Uninvested cash held in the account may be automatically invested in on a daily or periodic basis (as applicable) in money market mutual funds or money market accounts. Advisory fees will not be charged on the cash invested in money market mutual funds or money market accounts.

Additional information regarding each money market fund option, including investment policies and fees and expenses, is set forth in the fund's current prospectus, which will be provided to clients. Clients should read the fund's prospectus carefully prior to making a decision.

### *Comparability of Costs*

A client's total cost of each of the services provided, if purchased separately, could be more or less depending on, among other factors:

- The client's cost of obtaining custodial services;
- Trading and execution costs (including principal markups and markdowns) to the client; and
- The client's ability to obtain reports comparable to those provided through the program.

When making cost comparisons, clients should be aware that the combination of services available through the Multi-Strategy Advisory Program may not be available separately or may require multiple accounts, documentation and fees. In addition, the Investment Manager may not be available to the client outside of the program either because of the minimum account size limits, fee schedules geographic availability, or other factors.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

PJIM does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

The Multi-Strategy Accounts are offered and available to institutions, high net worth individuals, employee benefit plans, trusts and estates, businesses, municipalities and other government entities and other suitable investors.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

### *StoneRidge*

StoneRidge, an unaffiliated investment manager of Piper Jaffray, is the discretionary manager for cash management strategies. StoneRidge provides PJIM and each client with StoneRidge's regulatory brochure.

### *SNW*

SNW, an unaffiliated investment manager of Piper Jaffray, is a discretionary manager for various strategies. SNW provides PJIM and each client with SNW's regulatory brochure.

### *Client Selection of Sub-Adviser*

PJIM requires that the client complete an Investor Profile questionnaire (“Investor Profile”), which is intended to measure the client’s investment objectives, time horizons and risk parameters. Institutional clients may provide a written investment policy or written guidelines in addition to the Investor Profile, subject to the consent of PJIM and the Investment Manager.

The client is responsible for promptly bringing to PJIM’s and the Investment Manager’s attention any material change in the client’s investment objectives or financial condition.

PJIM has engaged the Investment Managers’ as sub-advisers for the Multi-Strategy Advisory Program.

- The Investment Managers’ past performance is no guarantee of future results;
- Market, interest rate and other investment related risks exist that may adversely affect the management of an account and cause a loss in the account;
- Risk parameter or comparative index selections provided for accounts are guidelines only – the selected risk parameters may be exceeded and index comparisons may outperform an account.
- Investing in securities involves risk of loss that clients should be prepared to bear.

### *Fixed Income Strategy*

Fixed Income Strategies place greater emphasis on principal preservation and providing liquidity for clients’ operating or investment needs. The average duration of these customized portfolios is generally less than three years for the StoneRidge Cash Management Advisory Program. These portfolios retain the orientation to high-quality and high-liquidity securities. Duration varies for Sage and SNW fixed income strategies.

### *Fixed Income Risks*

**Credit Risk.** This is the risk that the issuer or guarantor of a fixed income security will be unable or unwilling to make timely payments of interest or principal.

**Interest Rate Risk.** Generally, fixed income securities decrease in value if interest rates rise and increase in value if interest rates fall, with lower rated securities more volatile than higher rated securities.

**Prepayment Risk.** Accounts that invest in fixed income securities bear the risk that an issuer will exercise its right to pay principal on an obligation (such as an asset-based security) earlier than expected. This may happen during periods of declining interest rates. Under these circumstances, an account may be unable to recoup all of its initial investment or may receive a lower-than-expected yield from this investment and may be forced to reinvest in lower yielding securities.

**High Yield Securities Risk.** High yield securities, also known as “junk bonds”, are below investment grade quality and may be considered speculative with respect to the issuer’s continuing ability to make

principal and interest payments. Lower-rated securities may be more susceptible to real or perceived adverse economic and competitive industry conditions than higher-rated securities.

**Federal Agency or GSE Securities.** Regarding certain securities issued by federal agencies or GSEs (such as debt securities or mortgage-backed securities issued by Freddie Mac, Fannie Mae and the Federal Home Loan Banks), it is important to note that although the issuer may be chartered or sponsored by an Act of Congress, the issuer is not funded by Congressional appropriations, and its debt and equity securities are neither guaranteed nor insured by the U.S. government. Without a more explicit commitment, there can be no assurance that the U.S. government will provide financial support to such issuers or their securities.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of PJIM or the integrity of PJIM's management. PJIM has no applicable information to disclose.

## **Item 10 – Other Financial Industry Activities and Affiliations**

Piper Jaffray Companies (NYSE:PJC) is a leading, global middle market investment bank and asset management firm. Securities brokerage and investment banking services are offered in the United States through Piper Jaffray & Co., member SIPC and FINRA; and in Europe through Piper Jaffray Ltd, authorised and regulated by the Financial Services Authority. Asset management products and services are offered through three separate investment advisory affiliates registered with the U.S. Securities and Exchange Commission: Advisory Research Inc.; PJC Capital Partners LLC and Piper Jaffray Investment Management LLC.

## **Item 11 – Code of Ethics**

The PJIM Code of Ethics is based on the principle that the officers, directors, and employees (or persons having similar status or function) of PJIM have a fiduciary duty to place the interests of clients ahead of their own interests and embodies the commitment of Piper Jaffray Companies and our subsidiaries, affiliated entities and representative offices to conduct our business in accordance with:

- our Guiding Principles
- the highest ethical standards; and
- all applicable laws, rules and regulations of the United States, the United Kingdom, Hong Kong, and any other countries in which we operate.

The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at PJIM must acknowledge the terms of the Code of Ethics annually, or as amended.

The Code of Ethics has specific restrictions and disclosure requirements around initial public offerings, private placements and the prevention of the misuse of material, non-public information.

PJIM's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the Chief Compliance Officer at PJIM, 800 Nicollet Mall, Suite 1000, Minneapolis, MN 55402.

## **Item 12 – Brokerage Practices**

### ***Broker-Dealer Transactions***

- (a) The sub-advisers may effect transactions with and through multiple brokers or dealers including PJ&Co. Directed securities transactions to a particular broker or dealer, if desired, will be done on a best efforts basis and the sub-advisers may not be able to seek best execution for the client.
- (b) In no event will the Investment Managers be obligated to effect any transaction for the Account which the Investment Managers believe would be in violation of any applicable federal or state law, rule or regulation, or of the rules or regulations of any regulatory or self-regulatory body.

No assurance has been or can be given to the client that the client will achieve his or her investment objectives by providing discretionary investment management authority to a sub-adviser in the program, or by accepting or implementing in whole or in part any allocation strategy or any specific recommendation or suggestion by PJIM to engage the services of a sub-adviser.

### ***Potential Conflicts of Interest***

Piper Jaffray, in its capacity as a securities broker-dealer, investment banker and investment adviser, is routinely engaged in various securities transactions and trading activities for various clients and customers (in addition to the client) which could create conflicts of interest among its duties to the client and its duties to other clients and customers.

As a full service broker-dealer, on an ongoing basis and as permitted by applicable law, Piper Jaffray may when appropriate:

- Act as a principal, buy securities from, or sell securities to other clients,
- Act as broker or agent, effect securities transactions for compensation for other clients,
- Act as a broker or agent for any person other than a client or effect transactions in which client securities are sold to or bought from a client,

- Recommend to clients that they buy or sell securities or investment products in which PJ&Co. or a related person has some financial interest, or
- Buy or sell for itself securities that it also recommends to clients.

It is the duty of the sub-advisers to seek the best net price and execution on securities trades.

PJIM, the sub-advisers and their affiliates may give advice and take action in performing their duties to the client that differ from advice given, or the timing and nature of action taken, with respect to the Multi-Strategy Asset Management Advisory Program. In the course of their respective investment banking activities or otherwise, PJIM, the sub-advisers and their affiliates may from time to time acquire material non-public or other information about corporations or other entities or their securities. PJIM, the sub-advisers and their affiliates are not obligated and may not be permitted to divulge any such information to or for the benefit of clients, or otherwise act on the basis of any such information in providing services to clients. PJIM, the sub-advisers and their affiliates may trade for their own accounts securities that are recommended to clients.

PJIM has adopted and enforces internal policies and procedures with respect to conflicts of interest between PJIM and its clients. Pursuant to these policies and procedures, PJIM, when engaging in the enumerated above, treats clients fairly.

SNW and StoneRidge, sub-advisers to the Multi-Strategy Advisory Program, are not affiliates of Piper Jaffray.

In addition to money market funds, assets may from time to time be invested in shares of other, unaffiliated open-end investment companies (mutual funds), provided that no front-end or deferred sales charge is payable in connection therewith. Such mutual funds may, however, provide for the payment of certain Rule 12b-1 and other asset-based charges. These payments may, where permitted under applicable regulatory requirements, be made to and retained by PJIM and its Piper Jaffray Representatives. If, and to the extent, that assets are invested in mutual funds, the client may indirectly pay duplicate advisory and other fees in connection with such investments.

## **Item 13 – Review of Accounts**

PJIM is responsible for supervising its employees and agents in the performance of their job responsibilities, to provide effective advisory services to its clients and to ensure, to the extent reasonably possible, that those services are provided in accordance with applicable legal requirements and firm policies. The sub-advisor's portfolio manager and PJIM periodically review the overall investment objectives of the account to ensure that they are consistent with the fashion in which the account is to be managed. This responsibility requires, among other things, that securities

recommendations will be made on the basis of an adequate analysis of the client's financial needs, circumstances, and level of experience, and that any recommended investment is suitable to the particular client in light of the nature and objectives of that client that are known to PJIM.

#### ***Client Reports and Communications***

On a periodic basis, PJIM or the sub-advisers may provide the client with a performance evaluation of the account. The report may include the performance of the client's account in terms of time-weighted rate of return and may compare the account's performance to that of selected benchmarks. The performance reports merely provide historical information regarding the account and may not be relied upon as predictive of future performance.

The Piper Jaffray Representative will generally contact the client at least annually, and is available for consultation with the client, to discuss the account as well as the client's investment objectives and financial condition.

PJIM places no restrictions on the client's ability to contact or consult with the sub-advisers.

### **Item 14 – Client Referrals and Other Compensation**

Other than the compensation described in Item 5, PJIM does not receive an economic benefit from anyone other than its clients.

### **Item 15 – Custody**

Client assets in the Multi-Strategy Advisory Program are held with banks or registered broker-dealers that are "qualified custodians." Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains client's investment assets. PJIM urges you to carefully review such statements and compare such official custodial records to the reports that may be provided by the Investment Managers. The Investment Manager reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

### **Item 16 – Investment Discretion**

Clients in the advisory programs provide Investment Managers with discretionary authority at the outset of the advisory relationship to select the identity and amount of securities to be bought or sold.

In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, the Investment Managers observe the investment policies, limitations and restrictions of the clients for which it advises.

## **Item 17 – Voting Client Securities**

The Investment Managers shall vote any proxies on behalf of the account under its firm policy guidelines as described in their advisory brochures and client agreements unless client provides in writing that it votes any proxies. PJIM shall not vote proxies on behalf of the Account.

## **Item 18 – Financial Information**

In certain circumstances, registered investment advisers are required to provide you with financial information or disclosures about their financial condition in this Item. PJIM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. Piper Jaffray Companies files quarterly and annual financial statements with the SEC. These are available through the SEC and on PJC's web site at the following location: <http://www.piperjaffray.com>.