

**Brochure**

**Wesley Capital Management, LLC**

**March 24, 2014**

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**This brochure provides information about the qualifications and business practices of Wesley Capital Management, LLC (the “Adviser”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us at 212-421-7002. This information has not been approved or verified by the SEC or by any state securities authority.**

**Additional information about the Adviser also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.**

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#### **Item 4. Advisory Business**

The Adviser is an investment adviser with its principal place of business in New York, New York. The Adviser commenced operations as an investment adviser on January 1, 2001 and has been registered with the SEC since March 30, 2009. Arthur Wrubel is the principal owner of the Adviser.

The Adviser provides investment supervisory services on a discretionary basis to clients, which consist of pooled investment vehicles intended for institutional investors and other sophisticated investors (collectively, the "Funds") and a separately managed account (the "Account"). The Adviser also provides discretionary investment advisory services as a sub-adviser to a portion of the assets of a pooled investment vehicle (the "Sub-Advisory Fund"), and the scope of the Adviser's investment authority is set forth in the sub-advisory agreement for such entity.

The Adviser provides advice to the Funds based on specific investment objectives and strategies. Except with respect to single-investor Funds, the Adviser does not tailor advisory services to the individual needs of investors in the Funds (collectively, "Investors") and Investors may not impose restrictions on investing in certain securities or certain types of securities. Under certain circumstances, the Adviser may agree to tailor advisory services to the individual needs of clients with separately managed accounts or single-investor Funds. Such clients or Investors may impose restrictions on, for example, exposure levels, portfolio liquidity and investing in certain securities or certain types of securities.

As of February 28, 2014, the Adviser had approximately \$150,145,000 in regulatory assets under management, all on a discretionary basis.

#### **Item 5. Fees and Compensation**

Investment management fees in amounts equal to (i) 1.0% per annum with respect to Investors who invested with the Adviser prior to February 1, 2006 and (ii) 1.5% per annum with respect to other Investors are charged to certain Funds each quarter in arrears based on the total market value of the assets in such Funds (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) on the last day of the quarter. An investment management fee is also charged to the Account each quarter in arrears based on the total market value of the assets in the Account (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) on the last day of the quarter as set forth in the investment management agreement between the Adviser and the Account client. If an Investor or the Account client makes an addition to its account during a quarter, the investment management fee will be prorated for the number of days remaining in the quarter. If the investment management agreement is terminated or a withdrawal is made from a Fund or the Account during a quarter, the fee payable to the Adviser will be calculated based on the value of the assets on the termination date or withdrawal date and prorated for the number of days during the quarter in which the investment management agreement was in effect or such amount was invested in the Fund or Account.

The Adviser receives the investment management fee from the Funds by instructing the Funds' custodian to deduct the investment management fee from the Funds' accounts. The Adviser bills the Account client for the investment management fee.

Certain clients may also pay or allocate to the Adviser or its affiliate annual performance-based compensation, which is compensation that is based on a share of capital gains on or capital appreciation of the assets of the client. With respect to the Funds, this compensation is 20% and is subject to a loss carryforward provision. With respect to the Sub-Advisory Fund, this compensation is 50% and is subject to a loss carryforward provision.

The Adviser or its affiliate may reduce or waive the investment management fee and/or performance-based compensation for certain Investors or clients with separately managed accounts.

In addition to investment management fees and, if applicable, performance-based compensation, the Funds and the Account are also subject to other expenses such as legal, compliance, audit, administration and accounting expenses (including third party administration and accounting services); investment expenses such as commissions, research fees and expenses (including research-related testing, travel, meal and lodging expenses); interest on margin accounts and other indebtedness; borrowing charges on securities sold short; custodial fees; administrator fees and expenses; fund-related insurance costs; directors' fees, if applicable; issue and transfer taxes; bank service fees; and any other expenses reasonably related to the purchase, sale or transmittal of assets. The Funds and the Account may also invest in money market mutual funds, ETFs or other registered investment companies. In these cases, the Funds and the Account will bear their pro rata share of the investment management fee and other fees of the underlying fund, which are in addition to the investment management fee paid to the Adviser. In addition, the Funds and the Account will incur brokerage and other transaction costs. Please refer to Item 12 of this Firm Brochure for a discussion of the Adviser's brokerage practices.

#### **Item 6. Performance-Based Fees and Side-by-Side Management**

The Adviser and its investment personnel provide investment management services to multiple portfolios for multiple clients. The Adviser or its affiliate is entitled to performance-based compensation from the Funds. In addition, the Adviser's investment personnel are typically compensated on a basis that includes a performance-based component. The Adviser and its investment personnel, including investment personnel that share in performance-based compensation, manage both clients that are charged performance-based compensation and clients that are not charged performance-based compensation. In addition, certain Funds may have higher investment management fees than other Funds or the Account. When the Adviser and its investment personnel manage more than one Fund or Account a potential exists for one Fund or Account to be favored over another. The Adviser and its investment personnel have a greater incentive to favor Funds or Accounts that pay the Adviser (and indirectly the portfolio manager) performance-based compensation or higher fees.

The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated fairly and that, to the extent possible, the Funds and the Account receive equivalent treatment. The performance of similarly managed Funds is also regularly compared to determine whether there are any unexplained significant discrepancies. In addition, the Adviser's procedures relating to the allocation of investment opportunities require that, to the extent orders are aggregated, the orders are price-averaged. These areas are monitored by the Adviser's Chief Compliance Officer.

#### **Item 7. Types of Clients**

The Adviser's clients consist of the Fund, the Account, and the Sub-Advisory Fund.

The Adviser does not have any requirements for opening or maintaining a separately managed account. With respect to the Funds, any initial and additional subscription minimums for Investors are disclosed in the offering memorandum for each Fund.

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

The Adviser seeks to achieve consistent and superior returns on the investment portfolios of the Funds and the Account, and seeks to maintain below average portfolio volatility and limited correlation with traditional securities investments. The Adviser plans to accomplish these objectives by investing primarily in real estate-related securities of issuers that derive a high level of income from tenant leases and investing strategically in more traditional equity securities.

The Adviser focuses primarily on the investment opportunities available in the real estate sector that the Adviser considers to be inefficient and overlooked. The types of real estate-related securities in which the Adviser expects to invest include real estate investment trusts ("REITs"), operating companies that are principally engaged in the real estate industry, and entities that do not participate directly in real estate, but that the Adviser believes trade at a discount to the inherent value of their underlying real estate or have superior growth potential. The Adviser's strategy with respect to investing in real estate-related securities is to identify and capitalize on pricing inefficiencies among securities whose performance is driven chiefly by real estate fundamentals.

The Adviser's risk assessment is continuous and is analyzed through a combination of fundamental and top-down analysis. Portfolio diversification is a vital part of the Adviser's risk management process. One way in which the Adviser actively manages exposure is by investing in different sectors and property types. Another risk management strategy utilized by the Adviser is short selling to limit market exposure and reduce the volatility of the Adviser's portfolios. The Adviser may make short sales to offset a potential decline in a long position or a group of long positions, or if it believes that one of the following may occur: a dividend cut, a decrease of earnings estimates or growth rates, credit problems with a major tenant, capital constrained by high dividend payout ratios and short term debt exposure, or low quality management teams with interests that are not properly aligned with shareholders.

The Adviser makes investment decisions based on the above analysis and by employing the following techniques and strategies:

Comprehensive Analysis. The Adviser identifies potential investments through a combination of "top-down," macroeconomic analysis and a grass roots examination of the many key drivers of value including: early signs of change in the industry, sector, or company involved; the specific real estate assets and markets involved; the income statement, cash flow statement, and balance sheet of the company; the regional economies and economics of specialty sub-sectors to which a company is exposed; any regulatory or tax changes that might enhance or impair value; and the relative alignment of shareholders' interests with those of management, and the ability of a company's management to execute its business plan and generate superior returns for their shareholders. When the foregoing analyses are completed, the Adviser will price the entire capital structure to determine the risk-adjusted returns in a given company's securities. This process sometimes uncovers mispricing of securities relative to each other where the Adviser may, for example, buy junior securities and sell senior securities short.

The Adviser's investment approach focuses on finding and assessing undiscovered opportunities in the real estate industry. Specifically, the Adviser makes strategic investments as follows:

Investments in Undervalued Companies. The Adviser invests Fund and Account assets in real estate-related companies that are undervalued and have strong management teams. In these instances, the proposed portfolio company must demonstrate some or all of the following in order to be considered for investment: growing cash flow, earnings and dividends and a capital recycling program in place; solid supply and demand fundamentals in its real property markets; interests in high quality and well located real property with existing below-market rents and value enhancement potential; and an experienced and well-motivated professional management team that possesses exceptional understanding of its real estate market and whose interests are aligned with those of the portfolio company's shareholders.

High-Yield Securities. The Adviser invests Fund and Account assets in companies that have relatively low risk profiles and solid balance sheets that are not reflected in their stock prices.

Arbitrage Opportunities. The Adviser invests Fund and Account assets in companies that present arbitrage opportunities driven by events such as mergers, acquisitions and imperfect pricing between two related securities.

Special Situations. The Adviser invests Fund and Account assets in companies that are in the following kinds of situations: companies that possess significant hidden value in their real estate, which value is not

reflected in the company's current stock price; companies with stock trading at a significant discount to their net asset value, and run by management teams willing to sell the company in order to maximize value for their shareholders; companies that are in turnaround, in which there is the potential for significant upside through major events, such as changes in management, revision of the company's business plan or restructuring of the company's balance sheet; and small capitalization companies with talented management teams.

Equity Securities. The Adviser invests Fund and Account assets in equity securities and equity linked securities in non-real estate-related securities seeking to achieve a superior rate of return through short-term and long-term trading in listed securities. These securities generally will be purchased in the open market and be freely tradable.

Debt Securities. The Adviser invests Fund and Account assets in commercial mortgage-backed securities ("CMBS") or other debt and debt-linked securities. Generally, these securities will be purchased in the open market and will be freely tradable.

Hedging. The Adviser may employ a variety of investment techniques to hedge against market and currency risks.

These methods, strategies and investments involve risk of loss to Investors and clients and Investors and clients must be prepared to bear the loss of their entire investment.

Issuer-Specific Changes. Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources.

Arbitrage Transaction Risks. If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, losses can occur which can be magnified to the extent the Adviser is employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable "spreads", which can also be identified, reduced or eliminated by other market participants.

Hedging. There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while the Adviser may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Adviser's investment portfolios than if the Adviser did not engage in any such hedging transactions.

Leverage. Performance may be more volatile if the Funds and the Account employ leverage.

Short Selling Risk. The Adviser's investment program includes a significant amount of short selling. Short selling transactions expose the Adviser to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the Adviser in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the Adviser might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

Relative Value Risk. In the event that the perceived mispricings underlying the Adviser's relative value trading positions were to fail to converge toward, or were to diverge further from, relationships expected by the Adviser, accounts may incur a loss.

Interest Rate Risks. Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. This risk is greater for long-term securities than for short-term securities.

Lack of Diversification. The Funds and the Account will not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, their portfolios are subject to more rapid change in value than would be the case if the Adviser were required to maintain a wider diversification among types of securities and other instruments.

Distressed Situation Risk. Investment in distressed situations exposes the Funds and the Account to significant risks, including: the difficulty in obtaining information as to the issuer's true condition; regulatory risk, including laws relating to fraudulent conveyances, voidable preferences, lender liability and bankruptcy; litigation risk; liquidity risk; and collection risk.

Real Estate Industry and REITs. The Funds and the Account will invest primarily in companies in the real estate industry and, therefore, may be subject to risks associated with the direct ownership of real estate, such as decreases in real estate values, overbuilding, increased competition and other risks related to local or general economic conditions, increases in operating costs and property taxes, changes in zoning laws, casualty or condemnation losses, possible environmental liabilities, regulatory limitations on rent and fluctuations in rental income. Equity REITs generally experience these risks directly through fee or leasehold interests, whereas mortgage REITs generally experience these risks indirectly through mortgage interests, unless the mortgage REIT forecloses on the underlying real estate.

REITs in which the Funds and the Account invest may be affected by changes in underlying real estate values, which may have an exaggerated effect to the extent that REITs in which the Funds and the Account invest may concentrate investments in particular geographic regions or property types. Additionally, rising interest rates may cause investors in REITs to demand a higher annual yield from future distributions, which may in turn decrease market prices for equity securities issued by REITs. Rising interest rates also generally increase the costs of obtaining financing, which could cause the value of the Funds' investments to decline. During periods of declining interest rates, certain mortgage REITs may hold mortgages that the mortgagors elect to prepay, which prepayment may diminish the yield on securities issued by such mortgage REITs. In addition, mortgage REITs may be affected by the ability of borrowers to repay when due the debt extended by the REIT and equity REITs may be affected by the ability of tenants to pay rent.

Certain REITs have relatively small market capitalizations, which may tend to increase the volatility of the market price of securities issued by such REITs. Furthermore, REITs are dependent upon specialized management skills, have limited diversification and are, therefore, subject to risks inherent in operating and financing a limited number of projects. REITs depend generally on their ability to generate cash flow to make distributions to investors.

Mortgage-Backed Securities. Mortgage-backed securities are subject to credit risk associated with the performance of the underlying mortgage properties. Factors such as consumer spending habits, local economic and competitive conditions, tenant occupancy rates and regulatory or zoning restrictions, or the loss of a major tenant may adversely affect the economic viability of a mortgaged property. In addition, these securities are subject to prepayment risk. Some securities have a structure that makes their reaction to interest rates and other factors difficult to predict, making their value highly volatile.

Equity Securities. The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-

political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

High Yield Securities. Funds may invest in “high yield” bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

Distressed Securities. Investments in unrated or low grade debt securities of distressed companies are subject to greater risk of loss of principal and interest than higher-rated debt securities. Also, securities of distressed companies are generally more likely to become worthless than the securities of more financially stable companies. In addition, evaluating credit risk for foreign debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.

Small- and Mid-Capitalization Companies. Small- and mid-capitalization companies may be of a less seasoned nature than other companies or may trade in the over-the-counter market. These securities often involve greater risks than the securities of larger, better-known companies. In addition to being subject to the general market risk that common stock prices may decline over short or even extended periods, the securities may be issued by companies that are not well-known to the investing public, may not have significant institutional ownership and may have cyclical, static or only moderate growth prospects. The securities of such companies may be more volatile in price and have lower trading volumes than larger-capitalization stocks.

Asset-Backed Securities. Asset-backed securities are subject to interest rate risk and, to a lesser degree, prepayment risk. Asset-backed securities are subject to additional risks in that, unlike mortgage-backed securities, asset-backed securities generally do not have the benefit of a security interest in the related collateral. Each type of asset-backed security also entails unique risks depending on the type of assets involved and the legal structure used. In addition, asset-backed securities experience credit risk. There is also the possibility that recoveries on repossessed collateral may not be available to support payments on these securities because of the inability to perfect a security interest in such collateral.

Security Futures and Options. In connection with the use of futures contracts and options, there may be an imperfect correlation between the change in market value of a security and the prices of the futures contracts and options in the account. In addition, the Adviser’s investments in security futures and options may encounter a lack of a liquid secondary market for a futures contract and the resulting inability to close a futures position prior to its maturity date.

Derivatives. Swaps, and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments require a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying the derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the Funds, the Account client or the Adviser. Further, transactions in derivative



instruments are not undertaken on recognized exchanges, and will expose the Funds or the Account to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.

Fixed-Income and Debt Securities. Investment in fixed-income and debt securities such as bonds, notes and asset-backed securities, subject portfolios to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Lastly, investments in debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

Illiquid Instruments. Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and the Adviser's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for the Adviser to obtain market quotations based on actual trades for the purpose of valuing a fund's portfolio.

Non-U.S. Securities. Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.

Risk Arbitrage Securities. A merger, other restructuring, tender, or exchange offer proposed at the time the Adviser invests in risk arbitrage securities may not be completed on the terms or within the time frame contemplated, resulting in losses.

Participation on Committees. In some situations, the Adviser may join committees made up of holders of securities. If the Adviser does join such a committee, it may be deemed to have duties to other investors represented by the committee and may, by its actions on the committee, expose the Funds or the Account to liability from such other investors who disagree with the Adviser's actions. Also, participation by the Adviser on such committees may cause the Funds and/or the Account to be considered an "insider" for purposes of the federal securities laws and may restrict the Funds' and/or the Account's ability to trade in certain securities.

Commodities. Commodity investments are affected by business, financial market or legal uncertainties. There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on its commodity investments. Prices of commodity investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Adviser's portfolios and the value of its investments. In addition, the value of the Adviser's portfolios may fluctuate as the general level of interest rates fluctuates.

## **Item 9. Disciplinary Information**

On July 26, 2012, the SEC entered an order against the Adviser pursuant to section 21C of the Securities Exchange Act of 1934 (the "Exchange Act") and section 203(e) of the Investment Advisers Act of 1940. The proceeding arose out of violations of Rule 105 of Regulation M of the Exchange Act by the Adviser.

The Adviser paid disgorgement of \$142,124, prejudgment interest of \$15,165, and a civil penalty of \$75,000 on August 7, 2012 in connection with the above proceeding.

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

The Adviser is not registered nor does it have an application pending to register as a broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, a commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities. Further, neither the Adviser nor any of its management persons have material relationships or arrangements with industry participants or material conflicts of interest relating to other investment advisers.

#### **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

The Adviser has adopted a Code of Ethics (the "Code") that obligates the Adviser and its personnel to put the interests of the Funds and the Account before their own interests and to act honestly and fairly in all respects in their dealings with the Funds and the Account. All of the Adviser's personnel are also required to comply with applicable federal securities laws. Clients and Investors and prospective clients and Investors may obtain a copy of the Code by contacting Frank Rivero, Chief Compliance Officer by email at [frivero@wesleycapital.com](mailto:frivero@wesleycapital.com), or by telephone at 212-421-4778. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by the Adviser's personnel.

The Adviser, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its personnel have invested or seek to invest on behalf of the Funds or the Account. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a Fund or the Account. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to ensure that the Adviser is meeting its obligations to the Funds and the Account and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the Funds or the Account or using such information for the Funds' and/or the Account's benefit. In such circumstances, the Adviser will have no responsibility or liability to the Funds or the Account for not disclosing such information to the Funds or the Account (or the fact that the Adviser possesses such information), or not using such information for the Funds' and/or the Account's benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

In addition, the Adviser or its personnel may invest in the same securities (or related securities, e.g., warrants, options or futures) that the Adviser or its personnel recommend to the Funds and/or the Account. Such practices present a conflict where, because of the information an Adviser has, the Adviser or its personnel are in a position to trade in a manner that could adversely affect the Funds or the Account (e.g., place their own trades before or after trades are executed for the Funds or the Account in order to benefit from any price movements due to the Funds' or the Account's trades). In addition to affecting the Adviser's or its personnel's objectivity, these practices by the Adviser or its personnel may also harm the Funds or the Account by adversely affecting the price at which the Funds' or the Account's trades are executed. The Adviser has adopted the following procedures in an effort to minimize such conflicts: The Adviser requires its covered persons to preclear certain transactions in their personal accounts with the Chief Compliance Officer, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on the Funds or the Account. In addition, the Adviser's Code prohibits the Adviser or its covered persons from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer, his delegate and head trader unless the personal securities transaction is not in a security that the Adviser is currently considering initiating a position in on behalf of a Fund or the Account and the proposed transaction date is

outside of the 10-day period commencing on the day following the date of any transaction in such security by the Adviser for a Fund or the Account. Any approval will remain in effect for 24 hours. All of the Adviser's covered persons are required to disclose their securities transactions within 30 days of each transaction and holdings on an annual basis. All of the Adviser's covered persons are also required to provide broker confirmations of each transaction in which they engage and an annual certification of such transactions. Trading in employee accounts will be reviewed by the Chief Compliance Officer and his delegate and compared with transactions for the Funds and the Account and reviewed against the restricted securities list.

## **Item 12. Brokerage Practices**

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include financial stability and reputation of the broker; the actual executed price of the security and the broker's commission rates; research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis), brokerage, custodial and other services provided by such brokers and/or dealers that are expected to enhance the Adviser's general portfolio management capabilities; the size and type of the transaction; the difficulty of execution and the ability to handle difficult trades; the operational facilities of the brokers and/or dealers involved (including back office efficiency); and the ability to handle a block order for securities and distribution capabilities. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a Fund or the Account may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. The Adviser's Chief Compliance Officer and traders meet at least annually to evaluate the broker-dealers used by the Adviser to execute trades using the foregoing factors.

The Adviser receives research or other products or services other than execution from a broker-dealer and/or a third party in connection with securities transactions. This is known as a "soft dollar" relationship. Except as described below, the Adviser will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self regulatory organization such as comparison services, electronic confirms or trade affirmations. Further, the Adviser may also hire separate independent trading firms in order to obtain better prices and/or execution, and such trading firms will be paid through additional commissions to be borne by the Funds and/or the Account.

The Adviser may enter into arrangements with third parties under which it compensates such parties for client referrals using Fund and/or Account brokerage commissions. The use of commissions to compensate such parties would be outside the parameters of Section 28(e).

When the Adviser uses commissions to obtain Section 28(e) eligible research and brokerage products and services, the Adviser's Chief Compliance Officer, traders and portfolio managers meet periodically to

review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or the Adviser's overall responsibilities to the Funds and the Account.

The use of commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

The Adviser may cause the Funds or the Account to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs for the Funds and/or the Account.

Research and brokerage services obtained by the use of commissions arising from a Fund's or the Account's portfolio transactions may be used by the Adviser in its other investment activities, including, for the benefit of other accounts. The Adviser does not seek to allocate soft dollar benefits to Funds and the Account proportionately to the soft dollar credits they generate.

During the Adviser's last fiscal year, as a result of brokerage commissions (or markups or markdowns), the Adviser and/or its related persons acquired research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; certain proxy services; payments to third-party solicitors; services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self regulatory organization such as comparison services, electronic confirms or trade affirmations.

The Adviser has entered into "client commission arrangements" pursuant to which the Adviser may execute transactions through a broker-dealer and request that the broker-dealer allocate a portion of the commissions or commission credits to another firm that provides research and other products to the Adviser. The Adviser excludes from use under these arrangements those products and services that are not eligible under Section 28(e) and applicable regulatory interpretations.

From time to time, the Adviser may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to a Fund or recommend such Fund as an investment to prospective Investors. The Adviser may place portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if the Adviser determines that it is otherwise consistent with seeking best execution. In no event will the Adviser select a broker-dealer as a means of remuneration for recommending the Adviser or any other product managed by the Adviser (or an affiliate) or affording the Adviser with the opportunity to participate in capital introduction programs.

The Adviser often purchases or sells the same security for the Funds and/or the Account at or near the same time and using the same executing broker. It is the Adviser's practice, where possible, to aggregate orders for the purchase or sale of the same security submitted at or near the same time for execution using the same executing broker. The Adviser will also aggregate in the same transaction, the same securities for accounts where the Adviser has brokerage discretion. Such aggregation may enable the Adviser to obtain for the Funds and/or the Account a more favorable price or a better commission rate based upon the volume of a particular transaction. When an aggregated order is completely or partially

filled, the Adviser allocates the securities purchased or proceeds of sale based on its general allocation policy. Notwithstanding the foregoing, an aggregated order may be allocated on a different basis. Reasons for allocation on a different basis may include: a Fund's or the Account's investment guidelines and restrictions, including Investors' status as restricted or unrestricted with respect to participation in new issues; available cash; expected capital inflows and outflows; liquidity requirements; legal regulatory reasons; the size of a particular invested position in an account relative to the size of such position in other accounts and the total portfolio invested position; or to avoid odd lots. In such a case, a Fund or the Account may pay a higher commission rate and/or receive less favorable prices than other accounts that are able to participate in an aggregated order.

### **Item 13. Review of Accounts**

The Funds, the Account, and the Sub-Advisory Fund are reviewed by Arthur Wrubel, Managing Member of the Adviser and Ron Russo, Portfolio Manager and Trader of the Adviser, on a continuous basis to verify prior trading, monitor performance and to determine whether securities positions should be maintained in view of current market conditions. The Managing Member supervises an investment team consisting of a portfolio manager/trader and one security analyst. Matters generally reviewed include specific securities held, trading activity, significant corporate developments, specific investment objectives of the Funds and the Account and other activities which may dictate a change in portfolio positions.

The Account client receives reports from the custodian at least monthly. Investors receive reports from the applicable Fund pursuant to the terms of each Fund's offering memorandum or as otherwise described in the offering document of the Fund.

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

The Adviser receives certain research or other products or services from broker-dealers through "soft-dollar" arrangements. These "soft-dollar" arrangements create an incentive for the Adviser to select or recommend broker-dealers based on the Adviser's interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by the Adviser. Please see Item 12 for further information on the Adviser's "soft-dollar" practices, including the Adviser's procedures for addressing conflicts of interest that arise from such practices.

The Adviser may make cash payments to third-party solicitors for Investor referrals, provided that, to the extent required, each such solicitor has entered into a written agreement with the Adviser pursuant to which the solicitor will provide each prospective Investor with a copy of the Adviser's Form ADV Part 2, and a disclosure document setting forth the terms of the solicitation arrangement, including the nature of the relationship between the solicitor and Adviser and any fees to be paid to the solicitor. Where applicable, cash payments for client solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Advisers Act and related SEC staff interpretations.

### **Item 15. Custody**

This Item is not applicable.

### **Item 16. Investment Discretion**

Prior to assuming discretion in managing assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary client, the Adviser has the authority to determine (i) the securities to be purchased and sold for the account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment

guidelines) and (ii) the amount of securities to be purchased or sold. Because of the differences in the Funds' and the Account's investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among the Funds and the Account in invested positions and securities held. The Adviser may consider the following factors, among others, in allocating securities among the Funds and the Account: (i) investment objectives and strategies; (ii) risk profiles; (iii) tax status and restrictions placed on a portfolio or by applicable law; (iv) size of the account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity and timing of cash flows. Although it is the Adviser's policy to generally allocate investment opportunities to eligible accounts participating in a particular investment opportunity on a pro rata basis (based on the value of the assets of each participating account relative to value of the assets of all participating accounts), these factors may lead the Adviser to allocate securities to accounts in varying amounts. Even accounts that are typically managed on a pari passu basis may from time to time receive differing allocations of securities based on total assets of each account eligible to invest in the particular investment type (e.g., new issues) divided by the total assets of all accounts eligible to invest in the particular investment.

Allocations will be made among accounts eligible to participate in new issues and secondary offerings on a pro rata basis, except when the Adviser determines in its discretion that a pro rata allocation is not appropriate, which may include a Fund's or the Account's investment guidelines explicitly prohibiting participation in new issues or secondary offerings and an Investor's or client's status as a "restricted person" under applicable regulations.

Securities acquired by the Adviser through a limited offering will be allocated pursuant to the procedures set forth in the Adviser's allocation policy. The policy provides that the Adviser will determine the proposed allocation of limited offering securities after considering the factors described above with respect to general allocations of securities and determining those accounts eligible to hold such securities. Eligibility will be based on the legal status of the Fund and/or the Account and their investment objectives and strategies.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions occur, the Adviser's error correction procedure is to ensure that the Funds and the Account are treated fairly. The Adviser has discretion to resolve a particular error in any appropriate manner that is consistent with the above stated policy.

#### **Item 17. Voting Client Securities**

To the extent the Adviser has been delegated proxy voting authority on behalf of the Funds, the Adviser complies with its proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to the Funds' securities, such proxies are voted in the best interests of the Funds.

In voting proxies, the Adviser utilizes the services of a third-party proxy agent that votes in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors and increases in or reclassification in common stock and votes against proposals that make it more difficult to replace members of a board of directors. The Chief Compliance Officer or his delegate monitors the third-party proxy agent to ensure that all proxies are being properly voted and appropriate records are being retained.

If a material conflict of interest between the Adviser and a Fund exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the Fund or take some other appropriate action. The Adviser does not make any qualitative judgment regarding the Funds' investments.

Investors may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser or the third-party proxy agent voted a Fund's proxies by contacting Frank Riverso, Chief Compliance Officer by email at [friverso@wesleycapital.com](mailto:friverso@wesleycapital.com) or by telephone at 212-421-4778.

With respect to the Account, the Adviser does not have authority to vote securities, and the client will receive its proxies or other solicitations directly from its custodian. With respect to any questions about a particular solicitation, the Account client can contact Frank Riverso, Chief Compliance Officer by email at [friverso@wesleycapital.com](mailto:friverso@wesleycapital.com) or by telephone at 212-421-4778.

**Item 18. Financial Information**

This Item is not applicable.

**Item 2. Appendix: Material Changes**

An investment adviser is required to identify and discuss any material changes made to this brochure since its last annual update. The Adviser filed an interim amendment to this brochure in October 2013 to reflect a change in the Adviser's Chief Compliance Officer. The Adviser has updated this brochure to reflect that it is acting as a sub-adviser to a portion of the assets of a pooled investment vehicle. There are no other material changes to report in this Item 2.



