

Part 2A of Form ADV: Firm Brochure

**Bantry Bay Capital**

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**December 31, 2013**

This brochure provides information about the qualification and business practices of Bantry Bay Capital. If you have any questions about the contents of this brochure, please contact us at 631-881-0043 or by email at [info@bantrybaycapital.com](mailto:info@bantrybaycapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state authority.

Bantry Bay Capital is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

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

This Brochure does not constitute an offer to sell or the solicitation of an offer to purchase any securities on any entities described herein. Any such offer or solicitation will be made solely to qualified investors by means of a private placement memorandum and related subscription materials.

## **2. Material Changes**

On July 28, 2010, the United States Securities and Exchange Commission (SEC) published “Amendments to Form ADV” which amends the disclosure documents that we provide to clients as required by SEC Rules. This Brochure, dated January 31, 2012, is a new document prepared according to the SEC’s new requirements and rules. As such, this Brochure is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this **Item 2 “Material Changes”** will discuss only specific material changes that are made to the Brochure and provide client with a summary of such changes. We will also reference the date of our last update of our Brochure.

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

Bantry Bay Capital (Bantry Bay or we) provides investment advisory services with a focus on fixed income assets to its clients on a discretionary basis. Bantry Bay was launched and began managing assets March 1st, 2011. The owner is Timothy Sexton, owning 100% of Bantry Bay, an investment adviser registered with the United States Securities and Exchange Commission (SEC).

Bantry Bay manages its client's assets in separately managed accounts. The separately managed accounts are generally managed in two general separate account strategies, which are fully customizable and tailored to the specific needs and objectives of the client. Clients may impose restrictions with regard to, but not limited to, individual holdings, credit ratings, duration, sector, or industry. For U.S. taxpayers we offer a municipal bond version of each, and for non-taxpaying entities, we employ taxable securities. However, from time to time we will cross over into either taxable or tax exempt securities if we deem it beneficial to the client to do so.

##### Advisory Services in Separately Managed Accounts

We typically manage separate accounts in two general strategies:

- Intermediate Fixed Income – Generally a portfolio of investment grade fixed income securities, benchmarked to the Barclay's Five Year Municipal Bond Index.
- Reserve Cash Management – Designed to provide an alternative to money market funds with the primary objective of preserving principal, and secondarily providing liquidity.

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

The specific manner in which Bantry Bay charges fees is established in a client's written investment advisory agreement which the client executes at the outset of the advisory relationship.

##### Advisory Fees

Bantry Bay receives a management fee for providing investment advisory services to separately managed client accounts based on the amount of assets under management. The fees are charged and collected on a monthly basis in arrears, based on the market value of the client's account on the last day of the period, according to the following schedule.

<b>Strategy</b>	<b>Fee</b>
Reserve Cash Management	<ul style="list-style-type: none"><li>• 35 basis points per year on the first \$5 million</li><li>• 25 basis points per year on the balance</li></ul>
Fixed Income Management	<ul style="list-style-type: none"><li>• 50 basis points per year on the first \$3 million</li><li>• 35 basis points per year on the balance</li></ul>

For the initial period, the fee will be based on the market value of the assets in the client's account on the last day of the month and will be prorated based on that portion of the period during which the investment advisory agreement is in effect. All clients authorize Bantry Bay to directly debit fees from their accounts. A client will typically be able to terminate an investment advisory agreement at any time. For fees paid in arrears, the client will be billed for the pro-rata portion of fees to the termination date. Although fees are not negotiable, Bantry Bay reserves the right to charge a fee different than the quoted schedule.

Bantry Bay generally recommends clients to select Deutsche Bank to provide custody services. For those clients that select Deutsche Bank as their custodian, Deutsche Bank deducts a custody fee directly from the client's account on a monthly basis. Clients, who select a different provider for custody services, will be charged a fee on terms determined by the selected custodian.

#### Other Expenses

Bantry Bay's fees described above are exclusive of brokerage commissions, transaction fees, and other related costs and expenses that shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment professionals and other third parties such as custodial fees, deferred sales charges, odd lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to Bantry Bay's fee. Bantry Bay does not accept compensation for the sale of securities or other investment products to its clients.

### **6. Performance Based Fees and Side By Side Management**

Bantry Bay currently does not charge or accept a performance-based fee from any of its clients.

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

Bantry Bay provides investment advisory services to high net worth individuals and families, charitable institutions, trusts, business entities, pension plans and other institutional investors. The minimum account size for a separately managed account is \$5 million. Bantry Bay may waive the minimum account requirements at its sole discretion.

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

Bantry Bay's investment process is primarily based on intensive research and focused on investing in fixed income securities. The process for constructing a portfolio involves both top down economic analysis and bottom up security selection. On an ongoing basis, the Bantry Bay investment team studies the trend and composition of GDP, inflation, real interest rates, and the shape of the yield curve. From this analysis, we develop our internal views for U.S. Treasury rates (the risk free rate) six months and twelve months forward, as well as our view on the shape of the yield curve. We evaluate the expected impact of our views on the various sub categories of the fixed income investment universe (including, but not limited to high yield, investment grade, asset backed, mortgage backed, and floating rate securities). We believe that this analysis

provides significant input into the allocation made to each of those fixed income sub categories of the fixed income investment subcategories. Building upon our expectation for interest rates and the expected performance of the various fixed income subcategories, a bottom up analysis of each security within each such subcategory is performed. The study includes analysis of company's financial statements and SEC filings, third party credit analysis services, and other reports. Investing in securities involves risk of loss that clients should be prepared to bear.

The risks include, but are not limited to, the possibility that the market value of an investment may decline, that a debt issuer becomes insolvent, or restructures the terms of repayment of interest, principal, and /or both. In the instance where an investment is made to a third party mutual fund, ETF or similar investment vehicle, the risk of redemption delay or suspension would be in addition to all of the risks discussed. These risks are described in greater detail as follows:

Interest Rate Risk: refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate debt securities) and directly (especially in the case of debt instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes, although generally to a lesser degree, depending on the reset, and reset caps or floors, among other factors. Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

Default Risk: refers to the likelihood that an issuer will default in the payment of principal and/or interest on the instrument. Financial strength and solvency of an issuer are the primary factors influencing default risk. In addition, lack or inadequacy of collateral or credit enhancement for debt instrument may affect its credit risk. Default risk may change over the term of an instrument, and debt obligations that are rated by rating agencies are often reviewed and may be subject to downgrade.

Credit Spread Risk: The difference between the risk free U.S. government rate and the rate offered by a credit related debt instrument is known as the credit spread. That spread will fluctuate based on a number of factors including, but not limited to the credit quality of the issuer, the health of the economy, and the strength of the industry in which the issuer operates. The change in that spread may have a positive or negative effect on the price of a fixed income instrument.

## **9. Disciplinary Information**

Bantry Bay does not have any material legal or disciplinary events to disclose with respect to itself or its employees.

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

Neither Bantry Bay, nor any of its employees is registered, or has an application pending to register, as a broker dealer or a registered representative of a broker dealer. Bantry Bay does, from time to time, recommend or select other third party investment advisers for our client accounts. We do not receive direct or indirect compensation from such advisers, nor do we believe our investment in those advisers creates a conflict of interest.

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

As an Investment Advisor, Bantry Bay stands in a position of trust and confidence with respect to our clients. Accordingly we have a fiduciary duty to place the interests of investors before the interests of Bantry Bay and our employees. In order to assist Bantry Bay and our employees in meeting our obligation as a fiduciary, Bantry Bay has adopted a Code of Ethics. All supervised persons (firm's partners, members, officers, directors and employees) must acknowledge the Code of Ethics annually, or as amended. Supervised persons should understand that the Code of Ethics apply to all conduct, whether or not the conduct also is covered by more specific standards or procedures set forth below. Failure to comply with the Code of Ethics may result in disciplinary action, including termination of employment. Persons subject to the Code of Ethics are subject to, among other things, various restrictions relating to the acquisition by them of securities. These restrictions include preauthorization and disclosure requirements, restriction on short term trading, and general prohibitions on transactions in securities in certain circumstances, including:

- When in possession of inside information
- Transactions in securities of issuers on the Adviser's restricted list or during specified blackout periods
- Transaction in securities at a time when the employee intends, or knows of another employee's intention, to purchase or sell that security or an equivalent security on behalf of other advisory clients
- Transactions in securities in which Adviser is placing a transaction on behalf of another client within a certain number of business days of such order being placed by other client accounts
- Acquisition of securities in initial public offerings

There are also restrictions on the acquisition by persons subject to the Code of Ethics in private placements, which acquisition requires the prior approval of Bantry Bay and the satisfaction of certain conditions.

The Code of Ethics also addresses the fiduciary duties expected of the persons subject to the Code of Ethics, including confidentiality obligations, gift and corporate opportunity policies, and restrictions on outside business activities.

### Personal Trading

Bantry Bay anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts, and will recommend to investment advisory clients or prospective clients, to purchase or sell securities in which Bantry affiliates and or clients, directly or indirectly, may have a position of interest. Bantry Bay's supervised persons are required to follow the Code of Ethics. Subject to satisfying this policy and applicable laws, supervised persons may trade for their own accounts in securities that are recommended to and/or purchased

for Bantry Bay clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Bantry Bay will not interfere with (i) making decision in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics certain classes of securities have been designated exempt transactions, based upon determination that these would not materially interfere with the best interest of Bantry Bay's clients. In addition, the Code of Ethics requires preclearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between Bantry Bay and its clients.

Clients and prospective clients may obtain a copy of the Code of Ethics by addressing a request to [info@bantrybaycapital.com](mailto:info@bantrybaycapital.com).

Bantry Bay may also from time to time, recommend clients invest in or redeem from, securities or investment products in which Bantry Bay or its affiliates have a financial interest as the investment manager, general partner or co-investor.

From time to time certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Bantry Bay's obligation of best execution. Bantry Bay will retain records of the trade execution (specifying each participating account) and its allocation.

It is Bantry Bay's general policy to avoid engagement any principal transactions for client accounts. Principal transactions are generally defined as transactions where the adviser, acting as principal for its own account or the account of an affiliated broker dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated fund and another client account. An agency cross transaction occurs when an investment adviser or its related persons act as either a registered broker dealer or through an affiliated broker dealer executes for a fee a transaction between an advisory client and a client of the broker dealer. Bantry Bay does not currently engage in agency cross transactions.

Clients and prospective clients may obtain a copy of the Code of Ethics by addressing a request to [info@bantrybaycapital.com](mailto:info@bantrybaycapital.com).

## **12. Brokerage Practices**

Both for purchases and sales of securities, Bantry Bay will attempt to maintain trading relationship with dealers that Bantry Bay believes will provide the best availability of securities and the best execution over time. In general, Bantry Bay will apply the same criteria with respect to all clients in assessing quality and cost of the trade execution and will not, unless directed by a client, make intentional distinctions in the way trades are executed among different clients' accounts. Bantry Bay will place trades for execution only with approved brokers or dealer. The factors to be considered in selecting and approving brokers dealers that may be used to execute trades for client accounts include, but are not limited to:



- Overall costs of a trade (i.e., net price paid or received) including commissions, mark ups, markdowns or spreads in the context of Bantry Bay's knowledge of negotiated commission rates currently available and other current transactions costs
- Trading expertise and quality of execution – accurate and timely execution, clearance and error/dispute resolution
- Reputation, financial strength and stability
- Integrity and ability to maintain confidentiality of client's trading program
- Block trading and block positioning capabilities
- Willingness to execute difficult transactions
- Willingness and ability to commit capital
- Access to underwritten offerings and secondary markets
- On going reliability
- Nature of the security and the available market makers
- Desired timing of the transaction and size of trade
- Confidentiality of trading activity
- Market intelligence regarding trading activity
- The receipt of brokerage or research services

Bantry Bay does not have any soft dollar arrangements. Furthermore, Bantry Bay does not intend to direct trades in recognition of research provided by a dealer. Bantry Bay will not pay a higher dealer "spread" or otherwise utilize client funds to compensate dealers for the provision of research or trading advice, and (to the extent, if at all, that Bantry Bay engages in brokerage transactions on behalf of clients) Bantry Bay will not pay higher brokerage commissions in executing client transactions in order to obtain research services or trading advice from securities brokers.

By virtue of conducting business with broker dealers, Bantry Bay may receive certain economic benefits from such broker dealers, which would not be received if it did not transact through such broker dealers. These benefits may include, but are not limited to: access to and electronic communication network for order entry and account information; receipt of proprietary research; and participation in broker dealer sponsored research and capital introduction conferences. Broker dealers generally provide these services at no additional cost. Bantry Bay understands that the benefits received through its relationship with the broker dealers generally do not depend upon the amount of transaction directed to, or amount of assets custodied by, the broker dealers. It is the understanding of Bantry Bay that broker dealers do not set discrete prices for such products and services. Accordingly, Bantry Bay does not separately compensate these broker dealers for the provision of these services.

Bantry Bay does not receive client referrals from broker dealers or third parties and does not permit clients to direct trade execution to specified broker/dealers or individual brokers. Bantry Bay seeks to allocate investment opportunities among clients in the fairest possible way taking into account clients' best interest, investment objectives, and restrictions. Certain clients share similar investment strategies and objectives while others differ. To this end, at times, a particular investment may be deemed suitable for one client, but not another.

When allocating trades among clients and when making a determination as to whether to allocate an order to a client, whether to include a particular client in and aggregated order involving multiple clients, and/or as to what level of participation in an order, Bantry Bay will consider a number of factors. Those factors include, but are not limited to net investment exposures, risk tolerances investment objectives and policies, investment guidelines, cash availability, liquidity requirements, investor contributions and redemptions, legal or regulatory restrictions, tax considerations, and the nature and size of the aggregated order. Accordingly, not all clients, even clients that have the same or similar investment strategies will participate in the allocations of investment opportunities of all other clients.

At time, Bantry Bay may deviate from the allocation basis because (a) a pro rate allocation would result in a de minimis allocation to certain accounts, or an amount less than the minimum denomination available for a particular security; (b) the allocation would result in unbalancing the diversification of the portfolio (based on factors including, but not limited to, industry, geography, issuer, and credit quality); (c) it is necessary to avoid "odd lots" or "minimum trading lots"; or (d) other factors in the Bantry Bay's professional judgment.

Given the nature of the secondary fixed income market, Bantry Bay may combine orders for different accounts for execution together as a batch or bloc trade. If the execution occurs at multiple prices, the average price will be allocated to each account that participated in the order. Thus, the effect of the batch or block trade may on some occasions prove disadvantageous to a particular client, and on other occasions, advantageous to the same client. This is done to obtain favorable execution, including access to lower commissions and better pricing on the orders. Accounts that do not participate in the batch or block trade that are separately executed generally will not receive the same price or be charged the same brokerage commissions as those combined in the large batch or block trade, and their execution price and brokerage fees often will not be as favorable as those obtained in the large batch or block trade.

Bantry Bay will follow the above delineated procedures to help ensure that allocations do not reflect a proactive of favoring of discrimination against any client or group of clients.

From time to time, Bantry Bay may determine that it is in the best interest of its clients to cross trade securities between advisory client accounts. Bantry Bay may cross trade between client accounts by asking custodians that custody the assets of its clients to transfer on their integral ledger securities from one client account to another for no transaction fee. Alternatively, Bantry Bay will attempt to locate and independent broker dealer to execute such a cross trade and Bantry Bay will not receive any compensation from such a transaction.

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

All portfolios are reviewed regularly to ensure consistency with client objectives. In addition, the macroeconomic environment as it relates to the relative value of the capital markets is reviewed continually. Investment strategies are calibrated from Bantry Bay's economic outlook and

portfolio construction details including target duration, yield curve position, sub-asset class allocation, industry exposure and individual security selection are determined. These calibrations are supplemented by portfolio monitoring/exposure reports generated by the portfolio management system, which provides the exposure by strategy, asset type, industry, geography, and other statistics relevant to professional asset management.

Clients who maintain a custodial relationship with Deutsche Bank receive monthly reports directly from Deutsche Bank. Clients who do not custody through Deutsche Bank will receive monthly reports from their respective custodians.

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

Bantry Bay does not currently compensate others for client referrals.

In the future, Bantry Bay may enter into marketing arrangements with third party solicitors, under which Bantry Bay will pay placement fees as compensation to the third party solicitors for referring clients to Bantry Bay. The fees will generally be based on a percentage of the fees earned by Bantry Bay from the account of the client referred by the third party solicitor.

If Bantry Bay pays a cash fee to anyone for soliciting clients on its behalf, Bantry Bay will comply with the requirements of the SEC's cash solicitation rule. This rule requires a written agreement between the investment adviser and the person soliciting clients on its behalf. The rule also requires that an unaffiliated solicitor provide a disclosure document to the potential client at the time that the solicitation is made. As required by the rule, Bantry Bay will not engage another person to solicit clients on its behalf if that person has been subject to securities regulatory or criminal action within the preceding ten years. Clients will not be charged additional fees or sales charges as a result of Bantry Bay's payment of any such referral fees to third parties.

#### **15. Custody**

Separately Managed Accounts Bantry Bay may be deemed to have constructive custody of client assets as clients have authorized Bantry Bay to directly debit fees from their accounts. Bantry Bay does not have actual custody of funds or securities held by clients in separately managed accounts. Clients who have entered into a custodial arrangement with Deutsche Bank will receive monthly account statements directly from Deutsche Bank. Clients, who do not custody through Deutsche Bank, will receive monthly reports from their respective custodians. Bantry Bay does not distribute monthly account statements. We urge our clients to carefully review the monthly account statements provided by Deutsche Bank or their respective custodian regularly to ensure accuracy.

#### **16. Investment**

Bantry Bay provides investment advisory services on a discretionary basis. The authority is established through the investment management agreements completed and executed by each client of Bantry Bay at the outset of the advisory relationship. When selecting securities and determining amounts, Bantry Bay observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to Bantry Bay in writing.

The client agrees to inform Bantry Bay promptly in writing of any change in their financial circumstances and investment objectives and to provide such other information as may be needed to manage the account.

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

Bantry Bay as a fully discretionary manager of its client accounts may, from time to time, have authority to vote proxies relating to securities held by client accounts on behalf of the accounts.

#### **18. Financial Information**

This section is not applicable to Bantry Bay as it does not charge or solicit prepayment of \$1200 in fees per client six or more months in advance.

#### **19. Requirements for State Registered Advisers**

This Item 19 is not applicable to Bantry Bay.