



TOROSO®
INVESTMENTS

Firm Brochure

(Part 2A of Form ADV)

Toroso Investments, LLC

**623 Fifth Avenue, 15th Floor
New York, NY 10022**

**333 West Wacker Drive, Suite 1800
Chicago, IL 60606**

**P: 646-545-2195
F: 914-931-3817**

This brochure provides information about the qualifications and business practices of Toroso Investments, LLC ("Toroso"). If you have any questions about the contents of this brochure, please contact us at 646-545-2195 or by email at dcarlson@torosoinv.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Toroso is available on the SEC's website at www.adviserinfo.sec.gov. Registration with the SEC does not imply a certain level of skill or training.

March 28, 2014

Toroso Investments, LLC

Material Changes

Material Changes since March 27, 2013

The Cover Page of this disclosure brochure was amended to reflect Toroso's current facsimile number and to disclose the address of Toroso's branch office in Chicago, Illinois.

Amendments were made to the Advisory Business section to reflect changes to Toroso's ownership that resulted from the addition of two new minority owners who are also Managing Partners of Toroso and to update assets under management figures as of February 28, 2014. Also, this section was amended to disclose that effective January 13, 2014, Toroso now serves as the investment sub-adviser to the Toroso Newfound Tactical Allocation Fund, a series of the Investment Managers Series Trust (S.E.C. File No. 811-21719) and also offers discretionary investment advisory services to collective investment trusts. Additionally, disclosure was added to reflect Toroso's practice of investing the assets of its direct separate account clients who have less than \$50,000 under Toroso's management exclusively into shares of the Toroso Newfound Tactical Allocation Fund, where appropriate based on the client's investment objectives and risk tolerances, and thus such clients may not receive the same level of tailored advisory services provided to other direct separate account clients.

The Fees and Compensation section was amended to disclose that direct advisory clients may elect to be billed for advisory fees in lieu of having them directly deducted from their custodial accounts, to disclose that a \$2,800 minimum annual fee is now generally applied for new clients who receive Toroso's non-discretionary pension consulting services, and to update the current fee range that non-discretionary pension consulting clients typically pay.

Amendments were made to the Methods of Analysis, Investment Strategies and Risk of Loss section to disclose Toroso's six new investment strategy offerings: 1) Target Risk Strategies; 2) Tactical Allocation Strategy; 3) Sector Opportunities Strategy; 4) Dynamic Long/Short Strategy; 5) Active Alpha Strategy; and the 6) Volatility Harvesting Strategy. Additionally, the section was amended to disclose the additional risks of loss that may arise when Toroso recommends or utilizes the services of other investment advisers in the management of advisory client accounts or invests in various kinds of exchange-traded products.

The Other Financial Industry Activities and Affiliations section was amended to disclose Toroso's service as a sub-adviser to the Toroso Newfound Tactical Allocation Fund and to disclose an impending sub-advisory relationship between Newfound Research LLC, which is anticipated to provide recommendations to be

used by Toroso in two of its new investment strategy offerings, the Dynamic Long/Short Strategy and the Tactical Allocation Strategy.

Please be aware that this summary only discusses material changes made to our disclosure brochure since its last annual amendment on March 27, 2013. Other amendments were made to this brochure, which are not discussed in this summary, and consequently, we encourage you to read the brochure in its entirety.

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Advisory Business

Firm Description

Toroso is a Delaware limited liability company founded in March of 2012.

Principal Owners

46.9% of Toroso is owned equally by Messrs. Larry Medin, Chief Executive Officer and President; Daniel Carlson (CRD No. 2683536), Chief Financial Officer and Chief Compliance Officer; and Michael Venuto (CRD No. 4320632), Chief Investment Officer. 31.2% of Toroso is owned by Global X Management Company LLC, which in turn is principally owned by Bruno del Ama and Jose Gonzalez (CRD No. 4346462). All five of these individuals are currently members of Toroso's six member Board of Directors, with the remaining director currently being Oscar J. Junquera (CRD No. 1217827). The remaining 21.9% ownership interest in Toroso is owned in varying amounts by 19 other investors, including two Managing Partners of Toroso and one entity controlled by Mr. Junquera.

Types of Advisory Services

Toroso offers fee-only discretionary and non-discretionary investment management services to individuals; high net worth individuals, including family offices; and institutions, which primarily include qualified pension plans, Taft-Hartley plans, and 401(k) plans. In addition, Toroso offers discretionary investment management services to pooled investment vehicles, primarily collective investment trusts, but also to registered investment companies. Toroso serves as an investment sub-adviser to the Toroso Newfound Tactical Allocation Fund of the Investment Managers Series Trust (the "Fund", S.E.C. File No. 811-21719), an open-end mutual fund registered under the Investment Company Act of 1940. Additionally, Toroso provides fee-only non-discretionary pension consulting services to corporate retirement plans.

Toroso's discretionary investment management services can primarily be obtained through one of two channels. Toroso offers its discretionary investment management services through various wealth management and/or wrap fee platforms, such as those offered by Jefferies Investment Advisers, LLC (S.E.C. File No. 801-61698). Clients obtained indirectly through one of these platforms will typically have an unaffiliated third-party investment adviser, who is responsible for making investment recommendations to the client, which may include the selection of one or more of Toroso's investment strategies and portfolio options that are available on the platform. Clients that are obtained through one of these platforms, under these circumstances, will not receive any

individualized investment advice from Toroso and will not have the ability to impose any restrictions on the securities or types of securities that Toroso may invest in. As compensation for its portfolio management services, Toroso receives a portion of the platform or wrap fee paid by the client to the platform sponsor.

Prospective clients can also enter into a discretionary and non-discretionary investment management services agreement directly with Toroso. Direct separate account clients choosing this option will typically participate in one or more interviews that will assist Toroso in obtaining information about the client's financial situation so that Toroso can recommend one or more of its investment strategies and portfolio options to the client. In general, tailored investment advice will be provided to these clients as to recommended investment strategies and portfolio options; however, the selection of individual securities within each portfolio option is performed on a discretionary basis by Toroso and will not be individualized to the specific needs of any particular client. Furthermore, direct clients will not have the ability to impose any restrictions on investing in certain securities or types of securities.

Direct separate account clients that do not meet a \$50,000 account threshold will generally have all of their assets under Toroso's management invested in the Fund, subject to a determination by Toroso that investment in the Fund is appropriate for the client based on their investment objectives and risk tolerances. Direct separate accounts invested in the Fund will receive the same monitoring and reporting services from Toroso, but will not receive the same level of tailored investment advice as other direct clients, as the Fund does not provide access to all of the investment options available directly through Toroso.

Certain high net worth individuals who own minority interests in Toroso may also be fee-paying advisory clients. This may create a potential conflict of interest in that Toroso may have an incentive to favor these clients over others. It is Toroso's policy, however, to treat all clients fairly at all times, and consequently, Toroso endeavors to avoid any situation where it may appear that preferential treatment is being given to any client with respect to investment opportunities.

Non-discretionary pension consulting services also are offered by Toroso primarily to corporate retirement plans. Such services typically include the provision of advice regarding investment strategies, investment policy, asset allocation, asset class specification and investment vehicle selection, as well as portfolio monitoring services.

In addition to investment management services, Toroso offers non-discretionary Exchange Traded Product ("ETP") portfolio consulting services to or on behalf of other investment advisers and/or investment management companies. As part

of these consulting services, Toroso performs research on various ETPs, analysis on how the inclusion of those and other ETPs would affect the characteristics of a subject portfolio, and recommendations on overall portfolio construction.

Assets under Management

As of February 28, 2014, Toroso had \$18,507,559 in discretionary assets under management belonging to individuals, high net worth individuals and pension and/or profit sharing plans, as well as \$18,647,140 in non-discretionary pension consulting assets under management.

Fees and Compensation

Investment Management Fees

Toroso offers its investment management services on a fee-only basis and does not have a standard fee schedule. All fee arrangements are negotiated on an individual basis with each direct client or with each wealth management and/or wrap fee platform, which applies to all clients obtained through that platform. Direct high net worth individual clients and direct institutional clients will typically be charged an advisory fee in the range of 0.50% to 1.50% of assets under management on an annual basis, with the exception of any assets of direct clients that are invested in the Fund, which will not be charged any advisory fees. Wealth management and/or wrap fee platform clients will also typically pay advisory fees in the range of 0.25% to 1.00% of assets under management on an annual basis, which is separate from any advisory fees that the client may pay to an investment adviser, unaffiliated with Toroso, that recommends and/or recommended that the client allocate some or all of their assets into a Toroso portfolio option and separate from any advisory fees paid to a wealth management platform, if applicable.

With respect to direct clients, advisory fees are paid in advance and typically deducted within fifteen business days of the beginning of each calendar quarter directly from the client's custodial account, based on the custodial market value as of the last day of the prior calendar quarter. Direct clients, however, may elect to be billed for Toroso's advisory fees in lieu of having them deducted from their custodial accounts. With respect to wealth management platform clients, fees associated with the platform, including Toroso's advisory fee, are calculated by the platform and are directly deducted from the client's custodial account. Wealth management platform clients should refer to the disclosure documents from and/or contracts with their platform for information on the frequency of fee billing, whether fees are charged in advance or arrears, and the method of calculation. The amount of advisory fees remitted by a wealth management

platform to Toroso is based on the aggregate amount of the platform's assets under Toroso's investment management.

Advisory fees are prorated for any new accounts opened during a calendar quarter. In the event that a direct client terminates its investment management services agreement with Toroso prior to the end of a quarter or a wealth management platform client ceases to be a client of the platform, the client will receive a refund of any unearned management fees that were deducted from their custodial account. The amount of the refund will be calculated by dividing the most recent management fee by the number of days in the quarter and multiplying that figure by the number of days left in the quarter following the date of termination.

Non-Discretionary Pension Consulting Fees

Fees for Toroso's non-discretionary pension consulting services are negotiated on an individual basis with each pension plan and/or the pension plan's sponsor. Pension plan clients typically pay fees in the range of 0.10% to 1.00% of assets under management on an annual basis, subject to a minimum annual fee, which is also negotiable, of \$2,800 or \$700 per quarter. Toroso's pension consulting fees are generally calculated by the pension plan, which then authorizes payment to Toroso. Pension consulting fees are generally paid in arrears on a quarterly basis, but may be paid fully or partially in advance for the quarter. In the event that a non-discretionary pension consulting client pays Toroso's pension consulting fees for the quarter fully in advance and terminates their pension consulting services agreement with Toroso prior to the end of a quarter, the pension consulting client will receive a refund of any unearned pension consulting fees. The amount of the refund will be calculated by dividing the most recent pension consulting fee by the number of days in the quarter and multiplying that figure by the number of days left in the quarter following the date of termination. If, however, a pension consulting client pays partially in advance and partially in arrears for the quarter and terminates their relationship with Toroso prior to the end of the quarter, the client will receive a refund based on the same calculation methodology noted above, but only if the date of termination occurs after fees for the relevant quarter have been received by Toroso.

Non-Discretionary Portfolio Consulting Fees

All fees for non-discretionary ETP portfolio consulting services are negotiated on an individual basis with each consulting client, depending on the scope of the engagement. Fee arrangements for ETP portfolio consulting services are typically on an annual or per project fixed fee basis.

Other Fees

Toroso's fees are exclusive of custodial fees, brokerage commissions, transaction fees, bank service fees, interest on loans and debit balances, wire transfer and electronic fund transfer fees, interest on margin accounts, borrowing charges on securities sold short, and any other fees and taxes on brokerage accounts and securities transactions. Please see the "Selecting Broker Dealers" section below for a discussion regarding brokerage that may be relevant to this discussion of fees. Client portfolios invest in ETFs, exchange traded notes (ETNs) and may invest in mutual funds as part of Toroso's investment strategies. Investments in ETFs and mutual funds, including closed-end mutual funds, however, generally include an embedded investment management fee paid to an unaffiliated third-party investment adviser. As such, clients with investments in these types of securities may be subject to two layers of management fees, and in the case of wealth management platform clients, three or four layers of management fees.

Performance-Based Fees

Toroso does not enter into performance-based fee arrangements with its advisory clients.

Types of Clients

Toroso primarily offers its investment management services to various wealth management and/or wrap fee platforms, which in turn make Toroso's investment strategies and portfolio options available to their clients. Toroso also offers its investment management services directly to institutions, which primarily include qualified pension plans, Taft-Hartley plans, and 401(k) plans; pooled investment vehicles, which include collective investment trusts and investment companies registered under the Investment Company Act of 1940; and to high net worth individuals, including family offices. With respect to clients obtained via wealth management and/or wrap fee platforms, there are no minimum account requirements or restrictions on types of clients imposed by Toroso, however, each platform may impose its own restrictions regarding minimum investment or account opening requirements or the types of clients it will accept.

Pension consulting services are offered primarily to corporate retirement plans.

ETP portfolio consulting services are offered to investment advisers and/or investment management companies.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategy

Toroso currently offers two primary investment strategies, the Target 8 Series and the Target Income Series. The Target 8 Series invests primarily in exchange traded funds (ETFs) that represent four different asset classes: equities, fixed income, inflation beneficiaries such as commodities, and cash equivalents. Clients who select the Target 8 Series can then choose from five different portfolio options, which are derived from Harry Browne's Permanent Portfolio asset allocation concept, depending on how they perceive current economic conditions or their expectations of future economic conditions. Toroso's five portfolio options are:

- Prosperity (50% equities, 25% inflation beneficiaries, 12.5% fixed income, 12.5% cash),
- Inflation (25% equities, 50% inflation beneficiaries, 12.5% fixed income, 12.5% cash),
- Neutral (25% equities, 25% inflation beneficiaries, 25% fixed income, 25% cash),
- Deflation (12.5% equities, 12.5% inflation beneficiaries, 50% fixed income, 25% cash), and
- Recession (12.5% equities, 12.5% inflation beneficiaries, 25% fixed income, 50% cash)

When selecting specific ETFs for the Target 8 Series, Toroso primarily focuses on index construction and portfolio holdings. Toroso favors ETFs that are float adjusted, but may invest in non-float adjusted ETFs, and seeks to avoid ETFs that implement tactical asset allocation strategies, ETFs that appear to be overly exposed to specific sectors, and ETFs whose portfolio companies engage in cannibalistic tactics (e.g., companies where the competition creates a zero sum outcome). ETFs that make it through the first level of review are then evaluated based on attributes such as market capitalization, price-to-book ratios, fees, liquidity, and the availability of options on the ETF. Additionally, Toroso analyses the index methodologies of each ETF under consideration and evaluates the extent of any overlapping holdings in other ETFs already held within the portfolio.

The Target Income Series seeks to replicate the behavior of traditional fixed income type portfolios by investing primarily in ETFs, ETNs, closed-end mutual funds, bonds, preferred stocks, and options. Although the Target Income Series does seek to maximize yield and total return, the primary goal of the strategy is

to provide income and the return of principal at a stated date. Clients who select the Target Income Series can choose from three different portfolio options based on a target yield level: 3% yield with a return of principal in 5 years, 5% yield with a return of principal in 10 years, and 7% yield with a return of principal in 15 years. In constructing the models for each portfolio option, Toroso seeks, but is not obligated, to maintain an average duration of 5, 10, and 15 years and an average credit quality of AA, A and BBB, respectively. When selecting securities, Toroso focuses on the following factors: yield, credit quality, duration, liquidity, and, if applicable, the amount of any premium or discount to the fund's NAV.

Although investment advisory representatives of Toroso will generally use Toroso's Target 8 or Target Income Series as the core of their clients' portfolios, Toroso's investment advisory representatives have the discretionary flexibility to recommend other types of investments as part of a satellite strategy in order to supplement and/or adjust the client's expected return, exposure to certain asset classes, sectors, or issuers, and/or overall risk profile.

In addition to the strategies described above, Toroso is in the final stages of developing six additional strategies: Dynamic Long/Short Strategy, Tactical Allocation Strategy, Sector Opportunities Strategy, Volatility Harvesting Strategy, Active Alpha Strategy, and the Target Risk Series.

Accounts managed according to the Dynamic Long/Short Strategy will be comprised of two components, a long allocation (60%) and a defensive allocation (40%). The long allocation will primarily invest in broad market equity ETPs, commodity ETPs and volatility-based ETPs, which may employ leverage, in order to get liquid exposure to "risky assets". When in a neutral position, each long allocation holding will hold the same weighting within the portfolio. Toroso will receive recommendations from a third-party investment adviser, which is anticipated to be Newfound Research LLC (S.E.C. No. 801-73042), as to whether each ETP in the long allocation should be held at its full weighting or reduced by 50% or not held at all. The defensive allocation will invest in U.S. Treasury ETPs, currency ETPs, and other market neutral ETPs in order to reduce the overall risk level of the portfolio. When a long allocation ETP weighting is decreased, a corresponding increase in the defensive allocation will be made to further reduce overall portfolio risk.

The Tactical Allocation Strategy is an augmented version of Toroso's Target 8 Series Neutral portfolio option. Based on momentum indicators and recommendations that are anticipated to be received from Newfound Research LLC, Toroso will adjust the standard 25% allocations to the equities, inflation beneficiaries/commodities, fixed income and cash asset classes so that they float within a range of 12.5% to 62.5% for the purpose of allocating greater portions of the portfolio to those asset classes anticipated to over-perform while reducing exposure to asset classes anticipated to underperform.

The Sector Opportunities Strategy will be offered to clients looking for an all equity investment that strives to outperform the S&P 500 Index. Clients selecting this strategy will have approximately 80% of their account invested in a concentrated allocation of three to six industry sector or sub-sector ETFs that are expected to perform better than the S&P 500 Index. The remaining 20% of the client's account will be invested in ETPs that strive to benefit from the movements of the CBOE Volatility Index (VIX) futures and other option strategies.

The Active Alpha Strategy will be offered as a satellite strategy to be used in conjunction with a client's existing investment in one of the five Target 8 Series portfolio options that will serve as the core of the client's account. The strategy will invest primarily in ETFs and mutual funds, which have volatilities that can exceed the overall market, in order to seek better performance than the market in general. Toroso also strives to minimize overlaps between the portfolio holdings of the client's core Target 8 Series holdings and satellite Active Alpha Strategy holdings. The goal of the Active Alpha Strategy is to provide clients with returns in excess of the iShares MSCI ACWI ETF (Symbol: ACWI).

The Volatility Harvesting Strategy is also designed to be used as a satellite strategy, but in conjunction with an existing client investment in the Target Income Series' 3% target yield level portfolio option. Accounts managed according to this strategy will generally be invested 50% to 80% in the Target Income Series' 3% target yield level portfolio option while the remaining assets will be invested in exchange-traded products that benefit from the movements of CBOE Volatility Index (VIX) Futures and other option strategies.

Finally, primarily for third party platforms and collective investment trusts that market to defined contribution plans, Toroso will offer the Target Risk Series, which consists of five different portfolio options: Income, Conservative Growth, Moderate Growth, Growth, and Aggressive Growth.

- The Income portfolio option is similar to the Target Income Series in that ETPs are used to create portfolios that seek to replicate the behavior of traditional fixed income securities, but without a target income level. Toroso uses a barbell approach to allocate a portion of the portfolio to higher yielding ETPs while maintaining an allocation to cash equivalents in order to have available funds to tactically increase allocations to higher yielding securities as opportunities arise.
- The Conservative Growth portfolio option is identical to the Target 8 Series Neutral portfolio option, which primarily invests in ETFs to obtain equal-weighted exposure to equities, inflation beneficiaries/commodities, fixed income and cash asset classes.

- The Moderate Growth portfolio option follows a core satellite approach by investing approximately 70% of the portfolio according to the Conservative Growth portfolio option and the remaining 30% to equity-focused ETFs that are selected based on fundamental analysis.
- The Growth portfolio option follows the same core satellite approach, but allocates approximately 50% to the Conservative Growth portfolio option and the remaining 50% to equity-focused ETFs that are selected based on fundamental analysis.
- The Aggressive Growth portfolio option allocates approximately 90% of the portfolio to equity-focused ETFs that are selected based on fundamental analysis while maintaining a small 10% allocation to the Conservative Growth portfolio option.

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. Toroso's investment approach constantly keeps the risk of loss in mind and the firm attempts to mitigate portfolio risk through diversified asset allocation and targeted security selection within asset classes, which seeks to avoid investments in ETFs with index methodologies that are overly exposed to sector risk or tactical knockouts.

The following is not meant to be a complete description of risks.

- Market Risk: The price of any security, including ETFs, equities, bonds or mutual funds may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- Liquidity Risk: Liquidity is the ability to readily convert an investment, including ETFs, into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- Interest-Rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to bonds.
- Call Risk: Bonds that are callable carry an additional risk because they may be called prior to maturity depending on current interest rates thereby increasing the likelihood that reinvestment risk may be realized.

- Credit Risk: The price of a bond depends on the issuer's credit rating, or perceived ability to pay its debt obligations. Consequently, increases in an issuer's credit risk, may negatively impact the value of a bond investment.
- Inflation Risk: When inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- Speculation Risk: The commodities markets are populated by traders whose primary interest is in making short-term profits by speculating whether the price of a security will go up or go down. The speculative actions of these traders may increase market volatility that could drive down the prices of commodities.
- Geopolitical Risk: The world's natural resources are located in various continents and the jurisdiction over those commodities lies with sovereign governments, international companies, and many other entities. Disagreements over licensing agreements, tax structures, environmental concerns, employment of indigenous workers, and access to technology could negatively impact the price of commodities. Additionally, international disagreements over the control of natural resources could negatively impact the price of commodities.
- Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- Foreign Market Risk: The securities markets of many foreign countries, including emerging countries, have substantially less trading volume than the securities markets of the United States, and securities of some foreign companies are less liquid and more volatile than securities of comparable United States companies. As a result, foreign securities markets may be subject to greater influence by adverse events generally affecting the market, by large investors' trading significant blocks of securities, or by large dispositions of securities, than as it is in the United States. The limited liquidity of some foreign markets may affect Toroso's ability to acquire or dispose of securities at a price and time it believes is advisable. Further, many foreign governments are less stable than that of the United States. There can be no assurance that any significant, sustained instability would not increase the risks of investing in the securities markets of certain countries.
- Counterparty and Broker Credit Risk: Certain assets will be exposed to the credit risk of the counterparties when engaging in exchange-traded or off-exchange transactions. There may be a risk of loss of assets on deposit with or in the custody of a broker in the event of the broker's bankruptcy, the bankruptcy of any clearing broker through which the

broker executes and clears transactions, or the bankruptcy of an exchange clearinghouse.

- Personnel Risk: Toroso is heavily dependent on the activities, judgment and availability of Messrs. Medin, Carlson, and Venuto, each of whom are key to performing certain critical functions relating to Toroso's daily operations. In the event of the death or permanent disability of Mr. Medin, Mr. Carlson, or Mr. Venuto, Toroso's operations may be materially disrupted until a suitable successor is found.
- Leverage Risk: Although Toroso does not employ leverage in the implementation of its investment strategies, some ETPs and CEFs employ leverage. Leverage increases returns to investors if the investment strategy earns a greater return on leveraged investments than the strategy's cost of such leverage. However, the use of leverage exposes investors to additional levels of risk and loss that could be substantial.
- Manager Risk: Toroso may recommend or utilize the services of other registered investment advisers in the management of client accounts, primarily to provide tactical overlay guidance or recommendations regarding asset allocations. Despite Toroso's efforts, an account's value may decrease if Toroso relies on recommendations received from such investment advisers that do not properly evaluate current economic conditions or do not correctly anticipate changes to economic or market conditions.
- Exchange-Traded Funds (ETFs): ETFs are typically investment companies that are legally classified as open end mutual funds or UITs. However, they differ from traditional mutual funds, in particular, in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly-traded companies and the market price for a share of an ETF may fluctuate from the value of its underlying securities. Consequently, ETF shares may trade at a discount or premium to their net asset value. This difference between the bid price and the ask price is often referred to as the "spread", which generally varies based on the ETF's trading volume and market liquidity. Although many ETFs are registered as an investment company under the Investment Company Act of 1940, some ETFs, in particular those that invest in commodities, are not registered as an investment company.
- Exchange-Traded Notes (ETNs): An ETN is a senior unsecured debt obligation designed to track the total return of an underlying market index or other benchmark. ETNs may be linked to a variety of assets, for example, commodity futures, foreign currency and equities. ETNs are similar to ETFs in that they are listed on an exchange and can typically be bought or sold throughout the trading day. However, an ETN is not a mutual fund and does not have a net asset value; the ETN trades at the

prevailing market price. Some of the more common risks associated with ETNs include the risk that the ETN issuer may be unable to repay the principal, interest (if any), and any returns at maturity or upon redemption. In addition, the trading price of an ETN in the secondary market may be adversely impacted if the issuer's credit rating is downgraded. The index or asset class for performance replication in an ETN may be concentrated in a specific sector, asset class or country and may therefore carry specific risks.

- Leveraged and Inverse ETFs, ETNs and Mutual Funds: Leveraged ETFs, ETNs and mutual funds, sometimes labeled “ultra” or “2x” for example, are designed to provide a multiple of the underlying index's return, typically on a daily basis. Inverse products are designed to provide the opposite of the return of the underlying index, typically on a daily basis. These products are different from and can be riskier than traditional ETFs, ETNs and mutual funds. Although these products are designed to provide returns that generally correspond to the underlying index, they may not be able to exactly replicate the performance of the index because of fund expenses and other factors. This is referred to as tracking error. Continual re-setting of returns within the product may add to the underlying costs and increase the tracking error. As a result, this may prevent these products from achieving their investment objective. In addition, compounding of the returns can produce a divergence from the underlying index over time, in particular for leveraged products. In highly volatile markets with large positive and negative swings, return distortions are magnified over time. Because of these distortions, these products should be actively monitored, as frequently as daily, and may not be appropriate as an intermediate or long-term holding. To accomplish their objectives, these products use a range of strategies, including swaps, futures contracts and other derivatives. These products may not be diversified and can be based on commodities or currencies. These products may have higher expense ratios and be less tax-efficient than more traditional ETFs, ETNs and mutual funds.
- VIX Futures: VIX futures are among the most volatile futures contracts. VIX futures are almost continually in a state of contango, a situation where the futures price is higher than the expected future spot price. ETFs that hold VIX futures on a continuous basis must “roll” their contracts as each expiration date approaches in order to maintain their VIX exposure. Furthermore, as VIX futures are mean reverting, which means that the futures price and the future spot price must converge, eventually the futures price must drop, the future spot price must rise or a combination of the two must occur, but usually involving some drop in the futures price. Consequently, such ETFs must generally sell VIX futures contracts about to expire at a price lower than the price at which it purchases a replacement VIX futures contract to roll their position. Ultimately, in order to generate a profit, ETFs that invest in VIX futures

must generate a return that exceeds the costs of contango, which may be substantial and, consequently, ETFs benchmarked to the VIX or investing materially in VIX futures should not be expected to appreciate over extended periods of time.

Disciplinary Information

Neither Toroso nor any of its supervised persons have been the subject of any legal or disciplinary events that would be material to your evaluation of Toroso or the integrity of Toroso's management.

Other Financial Industry Activities and Affiliations

Financial Industry Activities

Toroso does not engage in any other financial industry activities other than its activities as an investment adviser and ETP portfolio consultant.

Affiliations

Toroso has an infrastructure support and services arrangement with its largest individual owner, Global X Management Company LLC (S.E.C. File No. 801-69093), a S.E.C. registered investment adviser to the Global X Funds, a registered investment company that is a provider of ETFs. Global X Management Company LLC is wholly owned by Messrs. del Ama and Gonzalez. Pursuant to that agreement, Global X Management Company LLC will provide Toroso with office space, marketing and technical support, and other products, services, and support as needed. Toroso may periodically use the Global X Funds in the management of advisory client accounts. Such use creates a conflict of interest because Global X Management Company LLC may receive increased fees from the Global X Funds as a result of advisory client assets of Toroso that are invested in the Global X Funds.

Toroso provides consulting services to Global X Management Company LLC and its clients to assist with Global X's ETF portfolio consulting services. For these services, Toroso receives an annual fixed fee. The existence of this portfolio consulting services arrangement with Global X Management Company LLC creates an additional conflict of interest for Toroso when it recommends investments in the Global X Funds to clients because those investments may create an incentive for Global X Management Company LLC to continue its portfolio consulting services arrangement with Toroso.

Toroso also serves as the investment sub-adviser to the Toroso Newfound Tactical Allocation Fund (the "Fund"), a series of the Investment Managers Series Trust (S.E.C. File No. 811-21719), which is a registered investment company. Toroso does not currently believe that its investment advisory activities on behalf of the Fund will result in any material conflicts of interest with the interests of Toroso's other advisory clients.

Toroso is currently in the process of finalizing an investment sub-advisory agreement with Newfound Research LLC (S.E.C. No. 801-73042) to provide tactical allocation recommendations to be used by Toroso in the management certain clients' accounts that will utilize the Dynamic Long/Short Strategy and the Tactical Allocation Strategy. Toroso does not currently believe that its arrangement with Newfound Research LLC creates a material conflict of interest with the interests of Toroso's advisory clients.

Mr. Gonzalez is the sole owner of GWM Group, Inc. (S.E.C. File No. 8-50033), a S.E.C. registered broker dealer that operates out of the same physical location as Global X Management Company LLC and Toroso. Toroso does not utilize GWM Group, Inc. to execute any transactions on behalf of its advisory clients nor does Mr. Gonzalez receive any commissions from transactions placed on behalf of Toroso's advisory clients.

Michael Venuto is an indirect owner and passive investor of Emerging Global Advisors, LLC (S.E.C. File No. 801-69832), an otherwise unaffiliated S.E.C. registered investment adviser to EGShares, a registered investment company that is a provider of ETFs. Toroso may use EGShares in the management of advisory client accounts, which creates a conflict of interest due to Mr. Venuto's indirect ownership in Emerging Global Advisors, LLC, which may receive increased fees as a result of advisory client assets of Toroso that are invested in EGShares, which may in turn benefit Mr. Venuto.

Mr. Junquera is a registered representative of Global Equity Holdings, LLC (S.E.C. File No. 8-53164), an otherwise unaffiliated S.E.C. registered broker dealer. Toroso does not utilize Global Equity Holdings, LLC to execute any transactions on behalf of its advisory clients nor does Mr. Junquera receive any commissions from transactions placed on behalf of Toroso's advisory clients. Additionally, Mr. Junquera is a founder and Managing Partner of PanMar Capital, LLC, a private equity and strategic advisory firm specializing in the financial services industry, a Director on the Board of NorthStar Realty Finance Corp., a publicly-traded diversified commercial real estate investment and asset management company that is organized as an internally managed REIT, and a Director on the Board of HF2 Financial Management Inc., a publicly traded company that operates as a blank check company.

Olga Camargo (CRD No. 4893843), Managing Partner, and Juan Carlos Avila (CRD No. 2058210), Managing Partner, are licensed Health and Life Insurance Producers in the state of Illinois. Mr. Avila is also licensed to sell variable contracts. At this time, however, neither Mr. Avila nor Ms. Camargo are affiliated with any insurance companies or agencies nor do they sell insurance products to Toroso's clients. Consequently, Toroso does not currently believe that their status as licensed insurance producers creates any conflict of interest with interests of Toroso's advisory clients.

Neither Toroso nor any of its management persons have any other affiliations with broker-dealers, investment advisers, financial planning firms, commodity pool operators, commodity trading advisers, futures commission merchants, banks, thrift institutions, accounting firms, law firms, insurance companies or agencies, pension consultants, real estate brokers or dealers, or entities that create or package limited partnerships that are material to Toroso's advisory business or clients.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Toroso has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes a prohibition on insider trading, provisions requiring all of Toroso's supervised persons to comply with applicable federal securities laws, provisions requiring Toroso's supervised persons to report their personal securities transactions, and provisions requiring Toroso's supervised persons to promptly report any violations of its Code of Ethics. All supervised persons must also acknowledge the terms of the Code of Ethics annually and as amended. A copy of Toroso's Code of Ethics is available for review by clients and prospective clients upon request.

On occasion, Toroso or its supervised persons may invest in the same securities as those recommended to clients. This may create potential conflicts of interest because (1) Toroso or its supervised persons may have an incentive not to recommend the sale of those securities to clients in order to protect the value of their personal investment, and (2) Toroso or its supervised persons may have an incentive to place their orders before those of clients in order to obtain a better price. Toroso's Code of Ethics addresses these potential conflicts of interest by instituting a standard of business conduct for all supervised persons, by prohibiting supervised persons from effecting certain securities transactions without obtaining pre-clearance from Toroso's Chief Compliance Officer and by

reviewing personal securities transactions reports filed by supervised persons for potential conflicts of interest.

Brokerage Practices

Selecting Broker Dealers

Toroso places all orders for the purchase or sale of securities with the primary objective of seeking to obtain best execution and only selects brokers that the firm believes are most capable of providing best execution for the particular transaction. Toroso has a high expectation regarding the execution quality it expects to receive and deals only with brokers that can meet that standard. When selecting brokers, Toroso evaluates the broker's expertise in trading ETFs, access to markets, and responsiveness to Toroso, as well as Toroso's overall prior experience with the broker. Additionally, all brokerage institutions with whom Toroso trades must meet broad qualifications regarding professional expertise and competence, competitive pricing, and financial stability.

With respect to orders for the purchase or sale of securities for wealth management and/or wrap fee platform clients, all orders will be conveyed to the platform sponsor, which will be responsible for selecting broker-dealers to execute the transaction in a manner that seeks to obtain best execution for the client.

Brokerage for Client Referrals

It is Toroso's policy not to select for or recommend to clients any broker-dealer for custodial or execution services based on Toroso's or its supervised persons' receipt of client referrals from a broker-dealer or other third party.

Directed Brokerage

Clients are permitted to instruct Toroso to direct their brokerage to a particular broker-dealer, but should be aware that Toroso may be unable to achieve most favorable execution in those circumstances. When a client directs Toroso to use a particular broker-dealer, that arrangement may cost the client more money. For example, Toroso may be unable to aggregate the client's order with the orders of other clients potentially resulting in higher transaction costs for that client. In other cases, the broker-dealer selected by the client may not have expertise in executing transactions for certain types of securities, such as ETFs, and consequently, the client may receive execution prices that are inferior to those received by other clients.

Aggregation of Orders

Toroso will generally aggregate purchase or sale orders for a security for the accounts of multiple direct clients into a single transaction, often times referred to as a block or bunched trade. If a block trade is executed, each participating client receives a price that represents the average of the prices at which all of the transactions in a given block were executed. Executing a bunched trade allows transaction costs to be shared equally and on a pro rata basis among all of the participating clients. Bunched trading may also allow Toroso to incur lower transaction costs or achieve better execution for clients. If the order is not completely filled, the securities purchased or sold are distributed among participating clients on a pro rata basis or in some other equitable manner.

Block trades are placed only when the firm reasonably believes that the combination of the transactions provides better prices for clients than placing individual transactions. Toroso is not obligated to include any client account in a bunched trade. No client participating in a block trade will be favored over any other client that also participates in the same block trade.

Review of Accounts

Periodic Reviews

Toroso informally reviews each portfolio option's holdings on a daily basis to ensure that each model continues to conform with the respective investment strategy. With respect to individual client accounts, each direct client's account is informally reviewed on a quarterly basis internally and is formally reviewed on an annual basis with the client. Accounts belonging to clients obtained through wealth management platforms will not be reviewed, formally or informally, by Toroso. All reviews will be performed by Toroso's Chief Investment Officer.

Regular Reports

Toroso makes available quarterly performance reports to its direct separate account clients. Quarterly performance reports will include holdings, gain/loss, market value, asset allocation, performance return, and summary account activity information for all accounts that the client has under management with Toroso.

Additionally, Toroso makes available periodic reports to its pension consulting clients, generally on a quarterly basis. Such reports will generally include current performance summaries of the market and specific asset classes, holdings and performance summaries for the pension plan's positions, due

diligence information on the pension plan's holdings, and peer benchmark comparisons.

Client Referrals and Other Compensation

Toroso does not compensate any third-parties for referrals to Toroso, but may choose to do so in the future. Furthermore, Toroso does not receive any economic benefits from non-clients for providing investment advice or other advisory services to clients. However, Toroso receives certain economic benefits from Global X Management Company LLC pursuant to an infrastructure support and services arrangement and a portfolio consulting services agreement that is described above in the "Other Financial Industry Activities and Affiliations" section. Toroso's receipt of these benefits and portfolio consulting services income, however, is not contingent on its provision of any investment advice or other advisory services to clients.

Custody

All client funds and securities are held at qualified custodians, who send account statements, at least quarterly, directly to each of Toroso's direct and indirect clients. All clients are urged to carefully review those statements and any client who also receives quarterly performance reports from Toroso is urged to compare the information contained within their custodial account statements with the information contained in their quarterly performance reports.

Investment Discretion

Toroso has discretionary authority, pursuant to its written investment management services agreements with clients, to determine, without obtaining specific client consent, the securities to be bought or sold, the amount of the securities to be bought or sold, the brokers or dealers through which transactions will be executed, and the amount of commissions or mark ups or mark downs paid. Clients have the ability to direct which investment strategies and portfolio options that their assets are invested in, but once allocated, do not have any ability to limit Toroso's discretionary authority with respect to the management of those investment strategies or portfolio options.

Voting Client Securities

Toroso does not have and will not accept the authority to vote client securities on behalf of its advisory clients, with the exception of advisory clients subject to the Employee Retirement Income Security Act of 1974 ("ERISA") for which Toroso serves as a Section 3(38) Investment Manager and clients subject to the Investment Company Act of 1940. Toroso, however, does not expect to receive proxies related to client securities on a frequent basis as Toroso does not recommend individual equity securities.

In those situations where Toroso does accept the authority to vote client securities and receives a proxy, it is Toroso's policy to vote such securities on a case-by-case basis. In general, Toroso will vote in favor of any action that will help Toroso achieve the goals of the respective investment strategy that the security is associated with or any action that will make the security more appropriate for inclusion in the respective investment strategy. Clients may direct Toroso as to how to vote their securities and can obtain a copy of Toroso's proxy voting policies and procedures or information regarding how Toroso voted their proxies by contacting Toroso and submitting a request by phone or email.

There is a possibility that Toroso might occasionally become aware of a material conflict of interest, which might reasonably bring into question Toroso's objectivity in voting a client's securities. In such a case, it is Toroso's policy to request that the respective plan sponsor of a client subject to ERISA vote such proxies on the plan's behalf and if such request is denied, not to vote any such proxies, and with respect to registered investment company clients, it is Toroso's policy to abstain from voting the proxy.

Financial Information

Toroso is not currently subject to any financial condition that is reasonably likely to impair Toroso's ability to meet its contractual commitments to clients and Toroso has not been the subject of a bankruptcy petition since its inception.