

# Part 2A of Form ADV: *Firm Brochure*

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SEC File No. 801-77683

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This Brochure provides information about the qualifications and business practices of Ergus Asset Management Ltd. (hereinafter, "ERGUS", "we", the "firm", "us", and "our"). If you have any questions about the contents of this Firm Brochure, please contact us at 242-502-7031 or [padderly@ergus.com](mailto:padderly@ergus.com). The information in this Firm Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Any references to our firm as a "registered investment adviser" or being "registered" with the SEC or any state does not imply a level of training or skill.

Additional information about ERGUS is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 166707.

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# Material Changes

This Firm Brochure provides you with a summary of ERGUS' services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform of the revision(s) based on the nature of the information as follows:

- Annual Update: We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of the changes in this Item.
- Material Changes: Should a material change in our firm, services or our affiliations occur, depending on its nature, we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control, location, disciplinary proceedings, significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

## Material Changes:

Effective October 2013, our firm officially changed the legal name of our organization from CFAL Securities International Ltd. to Ergus Asset Management Ltd. This was a name change only with no change in control, ownership, our professionals or services.

# Advisory Business

Ergus Asset Management Inc. ("ERGUS" or "Advisor") became an SEC-registered investment adviser in 2013 and has its principal place of business in Nassau, New Providence, Bahamas. AF Holdings Ltd. is the firm's sole shareholder.

ERGUS offers the following advisory services to our clients:

## INDIVIDUAL PORTFOLIO MANAGEMENT

Our firm provides continuous advice to clients regarding the investment of client funds based on the specific needs of each client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Foreign issuers
- Corporate debt securities
- Certificates of deposit
- Mutual fund shares
- Securities traded over-the-counter
- Warrants
- Commercial paper
- Municipal securities
- United States governmental securities
- Mortgage backed securities

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when suitable to the client's stated investment objectives, tolerance for risk and liquidity.

## FUND PORTFOLIO MANAGEMENT

ERGUS provides discretionary portfolio management services to CFAL MBS FUND LTD. (the "Fund"), an investment fund licensed in the Commonwealth of the Bahamas, pursuant to the Investment Funds Act, 2003, and operating as a Professional Investment Fund.

Shares in the Fund are offered and sold in the United States by way of a private placement, exempt from the registration requirements of the U.S. Securities Act of 1933 (the "Securities Act") and applicable state securities laws pursuant to Rule 506 of Regulation D under the Securities Act, and comparable state law exemptions. Shares in the Fund are offered and sold outside of the United States pursuant to Regulation S under the Securities Act.

The Fund is not, and will not be, registered as an investment company under the U.S. Investment Company Act of 1940, as amended, pursuant to the exclusion provided under Section 3(c)(7) thereunder.

The principal objective of the Fund is to offer the opportunity for investors to outperform other short-term investments by capturing excess returns from actively managed short-term trades in the most liquid sectors of the U.S. Government Agency mortgage backed securities markets. ERGUS serves as the investment manager to the Fund, and continuously manages Fund assets based on the investment goals and objectives as more fully outlined in the Fund's offering memorandum.

Interested investors should refer to the Fund's offering memorandum for important information regarding objectives, investments, time-horizon, risks, conflicts, fees, and additional disclosures.

Prior to making any investment in the Fund, investors and prospective investors should carefully review these documents for a comprehensive understanding of the terms and conditions applicable for investment in the Fund.

## AMOUNT OF MANAGED ASSETS

As of December 2013, we were not actively managing any client assets on a discretionary basis or non-discretionary basis.

# Fees and Compensation

## INDIVIDUAL PORTFOLIO MANAGEMENT FEES

The annualized fee for our Individual Portfolio Management Service varies by asset type and is charged as a percentage of assets under management, according to the following schedule:

<i>Type of Assets</i>	<i>Annual Fee</i>
Equities	1.0%
Fixed Income	0.50% to 0.75%

Our fees are billed monthly, in arrears, at the end of each month based upon the value (market value or fair market value in the absence of market value) of the client's account at the end of the previous billing period. Fees will be debited from the account in accordance with the client authorization in the investment management agreement.

A minimum of \$250,000 of assets under management is required for this service. This account size may be negotiable under certain circumstances. ERGUS may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

## FUND PORTFOLIO MANAGEMENT FEES

**Management Fees:** For portfolio management services, the Fund pays ERGUS an annual management fee of 2.0% of the Fund's average net asset value in respect of each share class for which they are responsible. The annual management fee will be directly debited from each Fund investor's capital account monthly, in arrears, in accordance with the applicable Fund's organizational or offering documents, based upon the value of the capital account as of the last business day of the month. In the event that ERGUS is not providing services for an entire month, the management fee owed to the firm will be prorated to reflect the portion of such month in which the firm was providing services to the Fund.

**Performance Fees:** ERGUS is also eligible to receive a performance fee, with respect to each class, equal to 15% of the amount by which the net asset value of a class exceeds the high water mark attributable to such class. The performance fee will be directly debited from each Fund investor's capital account monthly, in arrears, in accordance with the applicable Fund's organizational or

offering documents, based upon the value of the capital account as of the last business day of the month.

A minimum investment of \$100,000 is required for this service. This account size may be negotiable under certain circumstances. Interested investors should refer to the Fund's offering memorandum for important information regarding objectives, investments, time-horizon, risks, fees, and additional disclosures.

**PERFORMANCE-BASED FEES WILL ONLY BE CHARGED IN ACCORDANCE WITH THE PROVISIONS OF REG. 205-3 OF THE INVESTMENT ADVISERS ACT OF 1940 AND/OR APPLICABLE STATE REGULATIONS. THE FEES WILL NOT BE OFFERED TO ANY CLIENT RESIDING IN A JURISDICTION IN WHICH SUCH FEES ARE PROHIBITED.**

## GENERAL INFORMATION

**Limited Negotiability of Advisory Fees:** Although ERGUS has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on an investor-by-client or investor basis. Client or investor facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client or investor, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts not generally available to our advisory clients may be offered to family members and friends of associated persons of our firm.

**Termination of the Advisory Relationship:** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days' written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will prorate the reimbursement according to the number of days remaining in the billing period.

For Fund investors, any investments, additions, withdrawals or terminations are subject to the terms of the offering memorandum.

**Third Party Mutual Fund Fees:** All fees paid to ERGUS for

investment advisory services are separate and distinct from the fees and expenses charged by third-party mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund or ETFs directly, without our services. In that case, the client would not receive the services provided by our firm, which are designed, among other things, to assist the client in determining which mutual funds or ETFs would be most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to, thereby, evaluate the advisory services being provided.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker-dealers, including, but not limited to, any transaction charges imposed by a broker-dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

**Grandfathering of Minimum Account**

**Requirements:** Pre-existing advisory clients are subject to ERGUS' minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

**ERISA Accounts:** ERGUS is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include, among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, ERGUS may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or, conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees

are used to offset ERGUS' advisory fees.

**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

## Performance-Based Fees and Side-By-Side Management

Side-by-side management refers to multiple client relationships where an adviser manages advisory client relationships and portfolios on a simultaneous basis for individuals, businesses, institutions and also mutual funds and/or hedge funds. In such circumstances, potential conflicts of interest may arise by and between the clients and the mutual and hedge funds, e.g., performance fee arrangements.

Our firm does currently manage a private fund with a performance based fee arrangement. Our firm does not manage any mutual funds. Accordingly, our firm does have side-by-side potential or actual conflicts of interests related to the performance based fee arrangement and to the extent investment opportunities may be available and allocated among the various clients. Our firm, as a fiduciary to our clients, has adopted allocation policies for the fair and equitable treatment of all clients as more fully described in Item 12 below.

As we disclosed above, our firm accepts a performance-based fee for portfolio management services provided to the Fund. Such a performance-based fee is calculated based on a share of capital gains on or capital appreciation of the assets of the client.

Clients should be aware that performance-based fee arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Furthermore, as we also have clients who do not pay performance-based

fees, we have an incentive to favor accounts that do pay such fees because compensation we receive from these clients is more directly tied to the performance of their accounts and our fee compensation.

Since we endeavor at all times to put the interests of our clients first as part of our fiduciary duty as a registered investment adviser, we take the following steps to address these conflicts:

- We disclose to investors and prospective clients the existence of material conflicts of interest, including the potential for our firm and its employees to earn more compensation from some clients than others;
- We collect, maintain and document accurate, complete and relevant investor background information to ensure that investment in the subscribed Fund is appropriate for the investor's financial goals, objectives and risk tolerance and that the investor is qualified to invest;
- We have implemented written policies and procedures for fair and consistent allocation of investment opportunities among the Fund or other client accounts, subject to the Fund's/client's underlying strategy, cash availability, availability of interests in the underlying funds and other appropriate considerations;
- We periodically compare holdings and performance of all accounts with similar strategies to identify significant performance disparities indicative of possible favorable treatment;
- We educate our employees regarding the responsibilities of a fiduciary, including the equitable treatment of all clients, regardless of the fee arrangement.

## Types of Clients

ERGUS provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals

- Pension and profit sharing plans (other than plan participants)
- Charitable organizations
- Corporations or other businesses not listed above
- Private investment funds

As previously disclosed in Item 5, our firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

## Methods of Analysis, Investment Strategies and Risk of Loss

### METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Charting.** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

**Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying

financial condition of a company. This presents a risk in that a poorly managed or financially unsound company may underperform regardless of market movement.

**Cyclical Analysis.** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

**Quantitative Analysis.** We use mathematical models to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

**Qualitative Analysis.** We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data.

A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

**Asset Allocation.** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## **INVESTMENT STRATEGIES**

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's

investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks if the anticipated price swing does not materialize; we are then left with the option of either having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Trading.** We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

Utilizing a trading strategy creates the potential for sudden losses if the anticipated price swing does not materialize. Moreover, under those circumstances, we are left with the option of either having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term

capital gains.

**Risk of Loss.** Securities investments are not guaranteed, and clients should understand that investing in any securities, including mutual funds, involves a risk of loss of both income and principal. We ask that you work with us to help us understand your tolerance for risk.

## Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

## Other Financial Industry Activities and Affiliations

We are a registered investment adviser and a wholly owned subsidiary of AF Holdings Ltd., a consortium of leading comprehensive financial services, healthcare, media companies and real estate holdings in The Bahamas, offering integrated solutions to meet the diverse needs of international and local clients. As a subsidiary of AF Holdings Ltd., our firm is under common ownership and control with several financial institutions, including the following with which we have a material business relationship (referred to collectively as the "Related Companies"):

- Colina Financial Advisers Ltd., an investment adviser, mutual fund administrator, and plan administrator, registered under the Securities Commission of The Bahamas;
- CFAL Securities Ltd., a broker-dealer registered under the Securities Commission of The Bahamas;
- Colina Insurance Limited., an insurance company licensed by the Insurance Commission of The Bahamas;
- Colina General Insurance Agents & Brokers Limited., an insurance agency licensed by the Insurance Commission of The Bahamas; and

- Ansbacher (Bahamas) Ltd., an international private banking institution registered with The Central Bank of The Bahamas.

Where appropriate, ERGUS and our employees may recommend the various investment and investment-related services of the Related Companies to our advisory clients. The Related Companies and their employees may also recommend the advisory services of our firm to their clients. The services provided by the Related Companies are separate and distinct from our advisory services, and are provided for separate and additional compensation.

Clients should be aware that the receipt of additional compensation by ERGUS and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. ERGUS endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for

the investment advice provided to clients.

No ERGUS client is obligated to use the services of any of the Related Companies, nor is any client of a Related Company obligated to use the advisory services of ERGUS.

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

Our firm has adopted a Code of Ethics which sets forth the high ethical standard of business conduct that we require of our employees, including compliance with applicable federal securities laws.

ERGUS and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's supervised persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our Code also provides for oversight, enforcement and recordkeeping provisions.

ERGUS' Code of Ethics further includes the firm's policy prohibiting the use of material non-public or inside information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [info@ERGUS.com](mailto:info@ERGUS.com), or by calling us at 242-502-7031.

ERGUS and individuals associated with our firm are prohibited from engaging in principal transactions or

agency cross transactions.

In addition, access persons of our firm are required to report all personal securities transactions conducted in our affiliated mutual fund(s).

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions 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.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when consistent with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be excluded in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.

3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain records of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a periodic basis by our firm's Chief Compliance Officer or his designee.
6. We have established procedures for the maintenance of all required books and records.
7. All clients are informed that related persons may receive separate commission compensation when effecting transactions during the implementation process.
8. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
9. All of our principals and employees must act in accordance with all applicable Federal, State and Bahamian regulations governing registered investment advisory practices.
10. We require delivery and annual acknowledgement of the Code of Ethics by each supervised person of our firm.
11. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
12. Any individual who violates any of the above restrictions may be subject to termination.

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are involved in the management of the Related Companies. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

## Brokerage Practices

### Direction of Brokerage

For clients with discretionary accounts, ERGUS generally requires these clients to provide us with written authority to determine the broker-dealer to use and the commission costs that will be charged to these clients for these transactions. These clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

However, in certain circumstances, we may permit clients to direct us to use a particular broker. In the event that a client directs our firm to use a particular broker or dealer, we may not be authorized to negotiate commissions and may be unable to obtain volume discounts or best execution. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to clients who direct our firm to use a particular broker or dealer.

### Selection of Broker-Dealers

ERGUS will endeavor to select those brokers or dealers including our affiliated firm, CFAL Securities Ltd., a registered broker-dealer with the Securities Commission of The Bahamas, which will provide the best services at the very competitive commission rates possible. The reasonableness of commissions is based on the broker's stability, reputation, ability to provide professional services, competitive commission rates and prices, research, trading platform, and other services which will help ERGUS in providing investment management services to clients. ERGUS may, therefore, recommend (or use) a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all our clients, and not all of such research may be useful for the account for which the particular transaction was effected.

### Soft Dollars

Consistent with obtaining best execution for clients, ERGUS may direct brokerage transactions for clients' portfolios to brokers who provide research and execution services to ERGUS and, indirectly, to ERGUS' clients. These services are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed

to augment our own internal research and investment strategy capabilities. This may be done without prior agreement or understanding by the client (and done at our discretion). Research services obtained through the use of soft dollars may be developed by brokers to whom brokerage is directed or by third-parties which are compensated by the broker. ERGUS does not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among clients, believing that the research we receive will help us to fulfill our overall duty to our clients. ERGUS may not use each particular research service, however, to service each client. As a result, a client may pay brokerage commissions that are used, in part, to purchase research services that are not used to benefit that specific client.

Broker-dealers we select may be paid commissions for effecting transactions for our clients that exceed the amounts other broker-dealers would have charged for effecting these transactions if ERGUS determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or our overall duty to its ('brokerage') discretionary client accounts.

Certain items obtainable with soft dollars may not be used exclusively for either execution or research services. The cost of such "mixed-use" products or services will be fairly allocated and ERGUS makes a good faith effort to determine the percentage of such products or services which may be considered as investment research. The portions of the costs attributable to non-research usage of such products or services are paid by our firm to the broker-dealer according to the provisions of Section 28(e) of the Securities Exchange Act of 1934.

When ERGUS uses client brokerage commissions to obtain research or brokerage services, we receive a benefit to the extent that ERGUS does not have to produce such products internally or compensate third-parties with our own money for the delivery of such services. Therefore, such use of client brokerage commissions results in a conflict of interest, because we have an incentive to direct client brokerage to those brokers who provide research and services we utilize, even if these brokers do not offer the best price or commission rates for our clients.

#### Aggregation of Trades

ERGUS will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of

assets from multiple client accounts, so long as transaction costs are on a pro-rata basis between all accounts included in any such block and clients receive an average share price.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. ERGUS will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. ERGUS' block trading policy and procedures are as follows:

1. Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with ERGUS, or our firm's order allocation policy.
2. The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
3. The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable ERGUS to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
4. Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
5. If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be

made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.

6. Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
7. If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
8. ERGUS' client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
9. Funds and securities for aggregated orders are clearly identified on ERGUS' records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.

#### Allocation of Investment Opportunities

As a matter of policy, our firm seeks to allocate investment opportunities and transactions on a fair and equitable basis for all clients over time and to not favor certain clients over others. In the unlikely event that limited investment opportunities or transactions would need to be allocated among advisory clients, we would allocate the investments or transactions fairly and equitably and typically on a pro-rata basis.

#### Principal and Agency Cross Transactions

As a matter of policy and procedures, our firm may, but currently does not engage in any principal trading or

agency cross transactions on behalf of ERGUS or any of our firm affiliates for any advisory clients.

## Review of Accounts

### INDIVIDUAL PORTFOLIO MANAGEMENT

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least monthly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by: Ms. Pamela Musgrove, V.P. of Investments.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, we provide quarterly reports summarizing account performance, balances and holdings.

## Client Referrals and Other Compensation

Our firm may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this Firm Brochure and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm;
- the fact that the Solicitor is paid a referral fee;
- the amount of the fee; and
- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

It is ERGUS' policy not to accept or allow our related

persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

There may also be arrangements between ERGUS and certain Related Companies where ERGUS and/or the Related Companies and their employees receive payment in exchange for client referrals.

## Custody

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees for our individual portfolio management service from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions and disbursements, including advisory fees, within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

Our firm does not have actual or constructive custody of individual portfolio management accounts. However, because we act as an investment adviser to the Fund, we are deemed to have custody of that particular client's assets under current applicable regulatory interpretations. As an adviser with custody, we seek to have the Fund audited on an annual basis by an independent public accountant that is both registered with and subject to regular inspection by the Public Company Accounting Oversight Board (PCAOB). It is our policy to seek to send these audited financials to each Fund investor, as appropriate, within 120 days of the Fund's fiscal year end.

As a matter of policy, our firm may, but currently does

not utilize any affiliated bank as a qualified custodian for our advisory clients

## Investment Discretion

Clients typically hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability determine the following without contacting the client:

- the security to buy or sell;
- the amount of the security to buy or sell;
- the broker-dealer to be used; and
- the commission rates to be paid the broker-dealer.

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## Voting Client Securities

We vote proxies for all client accounts; however, you always have the right to vote proxies yourself. You can exercise this right by instructing us in writing to not vote proxies in your account.

We will vote proxies in the best interest of our clients and in accordance with our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict and retain an independent third-party to cast a vote.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting us by telephone, email, or in writing. Clients may request, in writing, information on how proxies for their shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her

account(s), we will promptly provide such information to the client.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. To direct us to vote a proxy in a particular manner, clients should contact us in writing.

You can instruct us to vote proxies according to particular criteria (for example, to always vote with management, or to vote for or against a proposal to allow a so-called "poison pill" defense against a possible takeover). These requests must be made in writing. You can also instruct

us on how to cast your vote in a particular proxy contest by contacting us by email sent to [aferguson@ERGUS.com](mailto:aferguson@ERGUS.com), or by calling us at 242-502-7031.

## Financial Information

As a registered advisory firm we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. ERGUS has no such financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

ERGUS has not been the subject of a bankruptcy petition or financial proceeding at any time during its existence.

## **Part 2B of Form ADV: *Brochure Supplement***

### **Anthony Robert Ferguson**

#### **Ergus Asset Management Ltd.**

308 East Bay Street, Third Floor  
P.O. Box: CB 12407  
Nassau, New Providence, Bahamas

Telephone: 242-502-7031  
Email: [aferguson@ergus.com](mailto:aferguson@ergus.com)

January 2014

This brochure supplement provides information about Anthony R. Ferguson that supplements the Ergus Asset Management Ltd. brochure. You should have received a copy of that brochure. Please contact Prescott Adderley at 242-502-7031 if you did not receive our brochure or if you have any questions about the contents of this supplement. Additional information about Anthony R. Ferguson is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Anthony R. Ferguson is 6158449.

## **Anthony Robert Ferguson, CFA**

### **Item 2. Educational Background and Business Experience**

Year of Birth: 1965

Post-Secondary Education:

- Acadia University—Bachelors of Finance/Economics— 1985

Business Background:

- 02/2013 to Present – Ergus Asset Management Ltd., President& Chief Compliance Officer
- 03/1997 to 02/2013—Colina Financial Advisors Ltd., President
- 1997 to Present - Colina Holdings Bahamas Limited, Director
- 1997 to Present - Ansbacher (Bahamas) Limited, Executive Vice Chairman
- 2009 to Present - The Nassau Guardian Media Group, Director
- 1997 to Present – Colina Insurance Limited, Director

Professional Designations

Mr. Ferguson holds the Chartered Financial Analyst (CFA®) professional designation.

This designation is offered by the CFA Institute (formerly the Association for Investment Management and Research [AIMR]). To obtain the CFA charter, candidates must successfully complete three difficult exams and gain at least three (3) years of qualifying work experience, among other requirements. In passing these exams, candidates demonstrate their competence, integrity and extensive knowledge in accounting, ethical and professional standards, economics, portfolio management and security analysis.

Series 65—Uniform Investment Adviser Law Exam, 2013

### **Item 3. Disciplinary Information**

Mr. Ferguson does not have any history of disciplinary events.

### **Item 4. Other Business Activities**

Mr. Ferguson is also involved in the following business activities:

- President for Colina Financial Advisors Ltd.
- Director for Colina Holdings Bahamas Limited
- Executive Vice Chairman for Ansbacher (Bahamas) Limited
- Director for The Nassau Guardian Media Group
- Colina Insurance Limited, Director

A conflict of interest may exist to the extent that Mr. Ferguson recommends the products or services of these related companies. Ergus Asset Management Ltd. seeks to ensure that all recommendations are made in the best interests of clients regardless of any additional compensation earned. Mr. Ferguson spends a small portion of his time on these other business activities.

**Item 5. Additional Compensation**

Mr. Ferguson does not receive any additional compensation from third parties for providing investment advice to its clients and does not compensate anyone for client referrals.

**Item 6. Supervision**

Mr. Ferguson is the President and Chief Compliance Officer of Ergus Asset Management Ltd., and as such has no internal supervision placed over him. He is however bound by our firm's Code of Ethics and is overseen by the firm's directors. Mr. Ferguson can be reached by telephone at 242-502-7031 or by email at [aferguson@ergus.com](mailto:aferguson@ergus.com)

## **Part 2B of Form ADV: *Brochure Supplement***

### **Pamela Qusie Musgrove**

#### **Ergus Asset Management Ltd.**

308 East Bay Street, Third Floor  
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Nassau, New Providence, Bahamas

Telephone: 242-502-7031  
Email: pmusgrove@ergus.com

January 2014

This brochure supplement provides information about Pamela Q. Musgrove that supplements the Ergus Asset Management Ltd. firm brochure. You should have received a copy of that brochure. Please contact Prescott Adderley at 242-502-7031 if you did not receive our brochure or if you have any questions about the contents of this supplement. Additional information about Pamela Q. Musgrove is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Pamela Q. Musgrove is 6159284.

## **Pamela Qusie Musgrove, CFA**

### **Item 2. Educational Background and Business Experience**

Year of Birth: 1972

Post-Secondary Education:

- The College of The Bahamas, The Bahamas – 1993
- Acadia University, Nova Scotia - 1996

Business Background:

- 02/2013 to Present—Ergus Asset Management Ltd., Vice President, Investments
- 11/1998 to Present—CFAL Securities Ltd., Vice President, Investments
- 11/1998 to Present—Colina Financial Advisors Ltd., Vice President, Investments

Professional Designations

Ms. Musgrove holds the Chartered Financial Analyst (CFA®) professional designation.

This designation is offered by the CFA Institute (formerly the Association for Investment Management and Research [AIMR]). To obtain the CFA charter, candidates must successfully complete three difficult exams and gain at least three (3) years of qualifying work experience, among other requirements. In passing these exams, candidates demonstrate their competence, integrity and extensive knowledge in accounting, ethical and professional standards, economics, portfolio management and security analysis.

Series 65—Uniform Investment Adviser Law Exam, 2013

### **Item 3. Disciplinary Information**

Ms. Musgrove does not have any history of disciplinary events.

### **Item 4. Other Business Activities**

Ms. Musgrove is also involved in the following business activities:

- Colina Financial Advisors Ltd., Vice President, Investments
- CFAL Securities Ltd., Vice President, Investments

A conflict of interest may exist to the extent that Ms. Musgrove recommends the products or services of these related companies. Ergus Asset Management Ltd. seeks to ensure that all recommendations are made in the best interests of clients regardless of any additional compensation earned.

**Item 5. Additional Compensation**

Ms. Musgrove does not receive any additional compensation from third parties for providing investment advice to its clients and does not compensate anyone for client referrals.

**Item 6. Supervision**

Anthony R. Ferguson, President and Chief Compliance Officer of Ergus Asset Management Ltd., supervises and monitors Ms. Musgrove's activities on a regular basis. Please contact Anthony R. Ferguson at 242-502-7031 or by e-mail at [aferguson@ergus.com](mailto:aferguson@ergus.com) if you have any questions about Ms. Musgrove's brochure supplement.

**Part 2B of Form ADV: *Brochure Supplement***

**Jeanelle Christal Francis**

**ERGUS Asset Management Ltd.**

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January 2014

This brochure supplement provides information about Jeanelle Francis that supplements the Ergus Asset Management Ltd. Firm brochure. You should have received a copy of that brochure. Please contact Prescott Adderley at 242-502-7031 if you did not receive our brochure or if you have any questions about the contents of this supplement. Additional information about Jeanelle Francis is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Jeanelle Francis is 166707.

## **Jeanelle Christal Francis, CFA**

### **Item 2. Educational Background and Business Experience**

Year of Birth: 1982

Post-Secondary Education:

- Georgia State University, Bachelors of Business Administration– 2005

Business Background:

- 02/2013 to Present—ERGUS Asset Management, Ltd., Manager, Brokerage & Trading
- 10/2010 to Present—Colina Financial Advisors Limited, Manager
- 11/2005 to 10/2010—Citco Fund Services (Bahamas), Senior Fund Accountant
- 11/2003 to 02/2005—Georgia State University, Budget Analyst

Professional Designations

Ms. Francis holds the Chartered Financial Analyst (CFA®) professional designation.

This designation is offered by the CFA Institute (formerly the Association for Investment Management and Research [AIMR]). To obtain the CFA charter, candidates must successfully complete three difficult exams and gain at least three (3) years of qualifying work experience, among other requirements. In passing these exams, candidates demonstrate their competence, integrity and extensive knowledge in accounting, ethical and professional standards, economics, portfolio management and security analysis.

Series 65—Uniform Investment Adviser Law Exam, 2013.

### **Item 3. Disciplinary Information**

Ms. Francis does not have any history of disciplinary events.

### **Item 4. Other Business Activities**

Ms. Francis is also involved in the following business activities:

- CFAL Securities Limited, Manager

A conflict of interest may exist to the extent that Ms. Thurston recommends the products or services of these related companies. Ergus Asset Management Ltd. seeks to ensure that all recommendations are made in the best interests of clients regardless of any additional compensation earned. Ms. Francis spends a small portion of her time on these other business activities.

**Item 5. Additional Compensation**

Ms. Francis does not receive any additional compensation from third parties for providing investment advice to its clients and does not compensate anyone for client referrals.

**Item 6. Supervision**

Anthony R. Ferguson, President & Chief Compliance Officer of Ergus Asset Management Ltd., supervises and monitors Ms. Francis' activities on a regular basis. Please contact Anthony R. Ferguson at 242-502-7010 or by e-mail at [aferguson@ergus.com](mailto:aferguson@ergus.com) if you have any questions about Ms. Francis' brochure supplement.