
CONNECTIVE PORTFOLIO MANAGEMENT, LLC

Part 2A of Form ADV: Firm Brochure

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This brochure provides information about the qualifications and business practices of Connective Portfolio Management, LLC ("Connective"). If you have any questions about the contents of this brochure, please contact us at 212-332-7930. 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 Connective also is available on the SEC's website at www.adviserinfo.sec.gov.

Connective is an investment advisor registered with the SEC. Registration with the SEC does not imply a certain level of skill or training.

Item 2. Statement of Material Changes

Connective is required to include in this Item 2 any material changes to the Form ADV Part 2A since the last update. This is Connective's initial filing and there is nothing to disclose.

Whenever you would like to receive a complete copy of our brochure, please contact us by telephone at: 212-332-7930.

We will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

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Item 4. Advisory Business

Connective is a recently-formed investment adviser that provides discretionary investment management services by providing investment advice based on individual client needs. Customizing its investment services to each client's objectives, Connective seeks to develop an investment strategy for each client after reviewing the client's overall financial situation, investment restrictions, financial and personal objectives and specific investment goals.

Connective intends to manage each client's portfolio based upon the individual needs and objectives of the client. Connective will generally be granted unlimited discretion, subject to written investment objectives, guidelines and investment restrictions developed with the client. Connective's discretionary authority to make investments for a portfolio will be directed by written investment guidelines and investment restrictions, if any, and guidelines provided by the client and set forth in the client's advisory contract. Connective will have, subject to those investment objectives, guidelines and investment restrictions, discretion to determine the securities in which the account will be invested, the amounts to be invested, and the price and timing of purchases and sales for the particular accounts in question.

Prior to accepting a new client, Connective will make reasonable efforts to obtain information concerning a prospective client's financial and tax status, investment objectives, experience, sophistication, risk tolerance and other relevant information. For example, a client may elect to impose certain restrictions regarding investing in certain securities or types of securities, or may require that a certain minimum or maximum level of cash be maintained for its account.

Connective may offer investment advice not involving investment supervisory services to clients requiring periodic review of their investments and investment strategy. Investment advice of a non-periodic nature may be provided on a consultation basis and may include specific transaction recommendations that are not part of a continuous investment advisory agreement. Connective, however, expects to enter into contracts with most clients that involve ongoing investment advice.

Connective does not provide tax services, including any form of tax advice, and does not participate in any wrap fee programs. Connective only provides investment advice with respect to certain types of investments and strategies as described in Item 8 herein.

Connective is organized as a Delaware limited liability company and has its principal office in New York City. Messrs. Richard LD Saxton, Philippe Comby and Rudolf Millisits are the direct or indirect principal owners of Connective. As a newly formed investment adviser, as of the date of this brochure, Connective did not have any assets under management.

Item 5. Fees and Compensation

Connective's basic fee schedule (based upon an annual percentage of the total market value of the portfolio) is as follows:

<u>Assets Under Management</u>	<u>Annual Advisory Fee</u>
First \$5 million	1.25%
Next \$2 million	1.00%
Next \$3 million	0.75%
Above \$10 million	Negotiable

The fees paid by a client will be negotiable and may vary from the schedule above due to particular circumstances of the client or its portfolio and, as a result, one client may pay a higher fee to Connective than a second client for which Connective is providing substantially similar services. The actual fee rate paid by each client will be set forth in the advisory agreement between Connective and the client. Fees paid by the client to Connective may be higher or lower than the cost of similar services offered through other financial firms. The fees charged to the client will not be affected by the number of transactions executed on that client's behalf.

Fees will generally be billed quarterly in arrears based on the market value of the clients' assets on the last day of that quarter. Fees will be prorated for any beginning or ending period of an advisory agreement that is less than a full billing period. Likewise, fees will be prorated to the extent a client invests additional assets with Connective or withdraws a portion of its assets from Connective's management during a quarter. Connective may deduct its advisory fees from clients' assets or bill clients for fees incurred. A client may select either method, which will be reflected in the client's advisory agreement.

Connective's services will be terminable by Connective or the client generally upon 7 days' written notice to the other party. If an advisory agreement is terminated, advisory fees payable to Connective during the relevant period under the agreement will be prorated to the date of termination and any accrued portion of unpaid fees will be paid promptly by the client to Connective. Connective does not require any client to pay advisory fees prior to entering into an advisory agreement with Connective, nor does Connective require any client to pay any fees due under an advisory agreement in advance.

Connective uses an independent third-party custodian to provide custodial services in connection with the management of client assets. Please see Item 15 for additional information about custody of client assets. The cost of these services is not included in the advisory fees described above. Clients are responsible for paying any such additional costs charged by the custodial services providers. The advisory fees charged by Connective also do not include the amount of any costs, expenses or commissions that a broker or dealer may charge in connection with transactions executed on behalf of client accounts. In addition, a custodian or registered broker may impose certain costs or charges associated with servicing client accounts, such as margin

interest, costs relating to exchanging foreign currencies, odd lot differentials, regulatory fees, transfer taxes, exchange fees, wire transfer or postage fees, foreign clearing, settlement and custodial fees, and other fees or taxes required by law. Clients also will be responsible for expenses, including commissions and/or sales loads, management fees and distribution/servicing fees, to the extent a client's assets are invested in investment companies, including funds registered under the Investment Company Act of 1940, as amended (the "1940 Act"), or are otherwise exempt therefrom, which have their own fee and expense structures.

Neither Connective nor any of its supervised persons accepts compensation for the sale of securities or other investments.

Item 6. Performance-Based Fees and Side-By-Side Management

Currently, Connective does not charge performance-based fees. Connective may, in the future, charge different types of fees and use different fee structures, including performance or incentive fees based on a share of capital gains or capital appreciation of the assets under management in a client's account. If Connective were to charge a performance-based fee, Connective may have a reason to select investments for clients that are riskier or more speculative than it would select if it were paid only an asset-based fee.

Connective seeks to allocate investment opportunities to its clients, and otherwise to treat all of its clients, in a manner that is fair and equitable to all persons. Connective has adopted policies and procedures that it believes are reasonably designed to mitigate the potential conflicts of interest posed by managing multiple client portfolios. Additionally, Connective's investment professionals meet regularly to review all allocation decisions and to determine their consistency with Connective's policies and procedures.

Item 7. Type of Clients

Connective anticipates providing a broad range of discretionary investment advisory services to clients, which currently are anticipated to consist primarily of individuals and high net worth individuals. Connective also anticipates providing investment advisory services to smaller corporate and professional investors and other similar entities.

Connective may impose minimum account sizes (or fee equivalents) for starting new client accounts depending upon a number of factors including the type of client, type of mandate, and/or pre-existing relationship with Connective or its principals. Such minimum account sizes may be increased or decreased depending upon the specific circumstances of an individual client. Connective generally requires that clients have a minimum account size of \$1 million. Account sizes, however, are negotiable and may, in the discretion of Connective, be aggregated where immediate family members have multiple accounts managed by Connective.

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

Methods of Analysis

Connective derives the information used to make investment decisions on behalf of its clients from both internal and external resources. Connective uses a fundamentally research-oriented method of analysis in formulating investment advice or managing client assets. Connective utilizes a variety of resources as part of its analysis, including (i) Connective's experience in the relevant markets, (ii) information provided by internal and external analysts, (iii) personal discussions with members of company management, (iv) databases, quotation and research services and software that may be developed and maintained by third parties and (v) discussions with investment professionals hired by its advisory affiliates and other related persons.

Connective recommends various types of securities based on, among other factors, each client's particular investment objectives and guidelines and financial circumstances. Connective does not recommend primarily a particular type of security to all clients, because each client's risk tolerance and investment needs differ.

Investment Strategies and Related Risks

Connective primarily offers three investment mandates to its discretionary clients—a global equity investment strategy, a global balanced strategy and a total return strategy. Connective may work with clients to structure additional investment mandates specific to such clients' needs.

Investment Strategies

Global Equity Portfolio Strategy. Using this strategy, Connective invests client assets primarily in global equity securities, including securities of U.S. and non-U.S. companies. Connective generally expects to allocate client assets as follows: 20% to 100% in equity securities and 0% to 70% in convertible securities, fixed-income securities and other short-term investments. Connective also may invest client assets in commodities. Exposure to fixed-income and commodities investments is typically obtained by investing in investment companies, including exchange-traded funds ("ETFs"), that invest in those types of securities. However, Connective also may invest client assets directly in fixed-income securities. As Connective invests primarily in equity securities, the focus is more on growth than income.

Global Balanced Strategy. Using this strategy, Connective invests client assets in a balanced approach between global equity and fixed-income securities, including securities of U.S. and non-U.S. companies. The Advisor generally expects to allocate client assets as follows: 20% to 70% in fixed income securities, convertible securities and other short-terms investments and 0% to 50% in equity securities. Connective also may invest client assets in commodities. Exposure to fixed-income and commodities investments is typically obtained by investing in investment companies, including ETFs, that invest in those types of securities. However, Connective also may invest client assets directly in fixed-income securities. As Connective employs a balanced

approach that seek lower volatility than the equity markets, the focus is more on income than growth.

Total Return Strategy. Using this approach, Connective invests client assets in a similar manner as the other strategies, however, Connective is permitted to concentrate client assets in fewer securities and other instruments than otherwise permitted in the Global Equity Portfolio Strategy or the Global Balanced Portfolio Strategy. This approach is arguably more aggressive than the other strategies offered by Connective and focuses on both growth and income.

In addition, upon written agreement with a client, Connective will enter into specified derivative transactions or other structured products for the client. Connective currently does not engage in these types of transactions for any client.

Primary Types of Investments

As a general matter, Connective may invest in each type of securities or other instrument discussed below, but the allocation to a particular security or other instrument will vary depending on a client's particular investment strategy. The primary types of investments in which Connective will invest are summarized below, but you should ask Connective for additional information about other possible investments prior to entering into an advisory agreement with Connective.

Common Stock and Other Equity Securities. Connective may invest a client's assets in common stock and other equity securities. Stocks represent shares of ownership in a company. After other claims are satisfied, common stockholders participate in company profits on a pro-rata basis; profits may be paid out in dividends or reinvested in the company to help it grow. Increases and decreases in earnings are usually reflected in a company's stock price, so common stocks generally have the greatest appreciation and depreciation potential of all corporate securities. A client also may hold common stock received upon the conversion of convertible securities. In connection with investing in corporate debt securities, or restructuring of investments, a client may receive warrants or other non-income producing equity securities.

Preferred Stock. Connective may invest in preferred stock. Preferred stock is a form of equity ownership in a corporation. The dividend on a preferred stock is a fixed payment which the corporation is not legally bound to pay. Certain classes of preferred stock are convertible, meaning the preferred stock is convertible into shares of common stock of the issuer. By investing in convertible preferred stock, a client can receive a steady stream of dividends and Connective will still have the option to convert the preferred stock to common stock.

Convertible Securities. Convertible securities include fixed income securities that may be exchanged or converted into a predetermined number of shares of the issuer's underlying common stock at the option of the holder during a specified period. Convertible securities may take the form of convertible preferred stock, convertible bonds or debentures, units consisting of bonds and warrants or a combination of the features of several of these securities. Investment characteristics of convertible securities vary widely, which allows these securities to be employed for a variety of investment strategies.

Foreign Securities. Foreign securities include the securities of companies organized under the laws of countries other than the United States and those issued or guaranteed by governments other than the U.S. Government or by foreign supranational entities. They also include securities of companies whose principal trading market is in a country other than the United States or of companies (including those that are located in the United States or organized under U.S. law) that derive a significant portion of their revenue or profits from foreign businesses, investments or sales, or that have a majority of their assets outside the United States. They may be traded on foreign securities exchanges or in the foreign over-the-counter markets. Supranational entities include international organizations designated or supported by governmental entities to promote economic reconstruction or development and international banking institutions and related government agencies. The foreign securities in which the Advisor may invest also include securities of foreign companies located in emerging market countries, although Connective generally expects that client assets will be primarily invested in developed countries such as the United States, Canada and Western European countries.

Foreign Currency Transactions. Connective may invest client assets directly in foreign currencies or may invest in securities that trade in, or receive revenues in, foreign currencies. Connective may enter into foreign currency transactions for a variety of purposes, including to fix in U.S. dollars, between trade and settlement date, the value of a security Connective has agreed to buy or sell or to gain or reduce exposure to the foreign currency for investment purposes. Foreign currency transactions may involve, for example, the purchase of foreign currencies for U.S. dollars.

Investment Companies. Connective may invest in securities issued by registered and unregistered investment companies, including ETFs. ETFs are designed typically to provide investment results corresponding to a securities, commodities or other index. These may include Standard & Poor's Depositary Receipts ("SPDRs"), DIAMONDS or iShares exchange-traded funds ("iShares"), such as iShares MSCI EAFE Index Fund. ETFs usually are units of beneficial interest in an investment trust or represent undivided ownership interests in a portfolio of securities, in each case with respect to a portfolio of all or substantially all of the component securities of, and in substantially the same weighting as, the relevant benchmark index. The benchmark indices of SPDRs and DIAMONDS are the Standard & Poor's 500 Stock Index and the Dow Jones Industrial Average, respectively. The benchmark index for iShares varies, generally corresponding to the name of the particular iShares fund. ETFs are designed to provide investment results that generally correspond to the price and yield performance of the component securities of the benchmark index. ETFs are listed on an exchange and trade in the secondary market on a per-share basis.

Connective also may invest in "hedge funds," which are investment companies that are exempt from registration under Sections (3)(c)(1) or (3)(c)(7) of the 1940 Act. Hedge funds employ various types of strategies, including event-driven strategies; relative value strategies, global macro strategies, equity strategies and credit strategies. Connective will invest client assets in hedge funds it deems appropriate under prevailing economic and market conditions. Interests in hedge funds are not registered under the Securities Act of 1933, as amended, and are only available for purchase through private placements. As a result, a client's assets allocated to a

hedge fund will generally be illiquid and not available for resale to the general public. Hedge fund managers typically charge both an asset-based fee and a performance-based fee to investors.

Commodities. Through investing in investment companies, Connective will gain investment exposure to commodities. Commodities are assets that have tangible properties, such as oil, metals, livestock or agricultural products. Historically, commodity investments have had a relatively high correlation with changes in inflation and a relatively low correlation to stock and bond returns. Commodity-related securities and other instruments provide exposure, which may include long and/or short exposure, to the investment returns of physical commodities that trade in commodities markets, without investing directly in physical commodities. An investment company in which Connective invests client assets may invest in commodity-related securities and other instruments, such as structured notes, swap agreements, options, futures and options on futures, that derive value from the price movement of commodities, or some other readily measurable economic variable dependent upon changes in the value of commodities or the commodities markets.

Fixed-Income Securities. Through investing in investment companies or through direct investment, Connective will gain investment exposure to fixed-income securities including corporate debt securities. Corporate debt securities include corporate bonds, debentures, notes and other similar instruments, including certain convertible securities. Debt securities may be acquired with warrants attached. Corporate income-producing securities also may include forms of preferred or preference stock. The rate of interest on a corporate debt security may be fixed, floating or variable, and may vary inversely with respect to a reference rate such as interest rates or other financial indicators. Variable and floating rate securities provide for a periodic adjustment in the interest rate paid on the obligations. The adjustment intervals may be regular, and range from daily up to annually, or may be event based, such as based on a change in the prime rate. The rate of return or return of principal on some debt obligations may be linked or indexed to the level of exchange rates between the U.S. dollar and a foreign currency or currencies. Such securities may include those whose principal amount or redemption price is indexed to, and thus varies directly with, changes in the market price of certain commodities, including gold bullion or other precious metals. Connective also may invest in sovereign debt obligations and municipal obligations. In addition, Connective may invest in Eurodollar and Yankee Dollar instruments. Eurodollar instruments are bonds of foreign corporate and government issuers that pay interest and principal in U.S. dollars generally held in banks outside the United States, primarily in Europe. Yankee Dollar instruments are U.S. dollar-denominated bonds typically issued in the United States by foreign governments and their agencies and foreign banks and corporations.

Money Market Instruments. Connective may invest client assets in money market instruments, including bank obligations, commercial paper and money market funds. If Connective determines that adverse market conditions exist, it may adopt a temporary defensive position and invest up to 100% of a client's assets in money market instruments.

Margin Transactions. Although Connective generally will not engaged in margin transactions for client portfolios, clients may elect to engage in such transactions if offered by their custodian. In a margin transaction, a client would borrow money to purchase a security, in which case the

security serves as collateral on the loan. If the value of the shares drops sufficiently, the client will be required to either deposit more cash into the account or sell a portion of the stock in order to maintain the margin requirements of the account. This is known as a "margin call". A client's overall risk includes the amount of money invested plus the amount that was loaned.

Investment Process

In making investment decisions with respect to equity securities, Connective utilizes a macro-economic top-down approach to narrow the universe of possible investments, focusing on certain factors, including market volatility, interest rates and inflation forecasts, capacity, gross domestic product growth and earnings growth. Next, Connective relies on a fundamental analysis of each industry, and, within that industry, each company. Securities are evaluated for the opportunity for capital appreciation as well as for their potential to provide regular income and growth of income, as appropriate. Connective reviews each company's potential for success in light of general economic and industry trends, as well as the company's quality of management, financial condition, business plan, industry and sector market position, dividend payout ratio and corporate governance. Fundamental research efforts are enhanced through communication among the portfolio managers and the company's management team, who conduct internal research and extract information from external research.

Material Investment Risks

Investing in securities involves the risk of loss that clients should be prepared to bear. The value of client assets is subject to a variety of factors, such as the liquidity and volatility of the securities markets. All securities and other investments, including investments of client assets made by Connective, involve financial risk, and portfolio transactions may give rise to tax liability. There is no guarantee regarding performance, and clients may lose money.

As a general matter, as Connective may invest in each type of security or other instrument discussed above—to varying degrees depending on the investment strategy for each client—the risks associated with those securities or other instruments also apply to each strategy offered by Connective. The materials risks are summarized below, but you should ask Connective for additional information about the risks associated with Connective's investment strategies prior to entering into an advisory agreement with Connective.

Common Stock and Other Equity Securities. Equity securities, including common stocks, and certain preferred stocks, convertible securities and warrants, fluctuate in value, often based on factors unrelated to the value of the issuer of the securities, and such fluctuations can be pronounced. Changes in the value of an investment in an equity security will result in changes in the value of its shares and thus the return to investors. To the extent Connective purchases equity securities of small capitalization companies the stock prices of those companies may be subject to more abrupt or erratic market movements than the stocks of larger, more established companies, because these securities typically are traded in lower volume and the issuers typically are more subject to changes in earnings and prospects.

Convertible Securities. Convertible securities provide for a stable stream of income with generally higher yields than common stocks, but there can be no assurance of current income because the issuers of the convertible securities may default on their obligations. A convertible security, in addition to providing fixed income, offers the potential for capital appreciation through the conversion feature, which enables the holder to benefit from increases in the market price of the underlying common stock. There can be no assurance of capital appreciation, however, because securities prices fluctuate. Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality because of the potential for capital appreciation.

Foreign Securities. Investing in the securities of foreign issuers, as well as instruments that provide investment exposure to foreign securities and markets, involves risks that are not typically associated with investing in U.S. dollar-denominated securities of domestic issuers. Commissions on transactions in foreign securities may be higher than those for similar transactions on domestic stock markets and foreign custodial costs are higher than domestic custodial costs. In addition, clearance and settlement procedures may be different in foreign countries and, in certain markets, such procedures have on occasion been unable to keep pace with the volume of securities transactions, thus making it difficult to conduct such transactions. Foreign securities markets generally are not as developed or efficient as those in the United States. Securities of some foreign issuers are less liquid and more volatile than securities of comparable U.S. issuers. Similarly, volume and liquidity in most foreign securities markets are less than in the United States and, at times, volatility of price can be greater than in the United States.

The risks associated with investing in foreign securities are often heightened for investments in emerging market countries. These heightened risks include (i) greater risks of expropriation, confiscatory taxation, nationalization, and less social, political and economic stability; (ii) the small size of the markets for securities of emerging market issuers and the currently low or nonexistent volume of trading, resulting in lack of liquidity and in price volatility; (iii) certain national policies which may restrict investment opportunities including restrictions on investing in issuers or industries deemed sensitive to relevant national interests; and (iv) the absence of developed legal structures governing private or foreign investment and private property.

Because evidences of ownership of foreign securities usually are held outside the United States, by investing in foreign securities a client will be subject to additional risks, which include possible adverse political and economic developments, seizure or nationalization of foreign deposits and adoption of governmental restrictions that might adversely affect or restrict the payment of principal and interest on the foreign securities to investors located outside the country of the issuer, whether from currency blockage or otherwise.

Foreign Currencies. Because foreign securities often are purchased with and payable in currencies of foreign countries, the value of these assets as measured in U.S. dollars may be affected favorably or unfavorably by changes in currency rates, changes in foreign or U.S. laws or restrictions applicable to such investments and in exchange control regulations (e.g., currency blockage). A decline in the exchange rate of the currency (i.e., weakening of the currency

against the U.S. dollar) in which a portfolio security is quoted or denominated relative to the U.S. dollar would reduce the value of the portfolio security.

Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by the forces of supply and demand in the foreign exchange markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors, as seen from an international perspective. Currency exchange rates also can be affected unpredictably by intervention, or failure to intervene, by U.S. or foreign governments or central banks, or by currency controls or political developments in the United States or abroad.

Investment Companies. Risks of investing in investment companies include risks associated with investing in investment companies generally and the risks associated with the types of investments made by the investment company. As an investor in an investment company, including an ETF, a client would bear, along with other investors, its pro rata portion of the investment company's expenses, including advisory fees. These expenses would be in addition to the advisory fees and other expenses that the client pays to Connective. In addition, a client's investments in an investment company is subject to the ability of that investment company's investment adviser to achieve the fund's investment objectives.

The values of ETFs are subject to change as the values of their respective component securities or commodities fluctuate according to market volatility. Investments in ETFs that are designed to correspond to an equity index involve certain inherent risks generally associated with investments in a broadly based portfolio of common stocks, including the risk that the general level of stock prices may decline, thereby adversely affecting the value of ETFs invested in by a client. Moreover, a client's investments in ETFs may not exactly match the performance of a direct investment in the respective indices to which they are intended to correspond due to the temporary unavailability of certain index securities in the secondary market or other extraordinary circumstances, such as discrepancies with respect to the weighting of securities.

Alternative investment products, such as hedge funds, involve a high degree of risk, often engage in leveraging and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, are not subject to the same regulatory requirements as registered investment companies, often charge high fees which may offset any trading profits, and in many cases the underlying investments are not transparent and are known only to the investment manager of the fund.

Commodities. The value of commodity-related instruments may be affected by changes in overall market movements, volatility of the underlying benchmark, changes in interest rates or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, acts of terrorism, embargoes, tariffs and international economic, political and regulatory developments. The value of commodity-related instruments will rise or fall in response to changes in the underlying commodity or related index. Investments in commodity-related instruments may be subject to greater volatility than non-commodity based investments. A

highly liquid secondary market may not exist for certain commodity-related instruments, and there can be no assurance that one will develop. Commodity-related instruments are also subject to credit and interest rate risks that in general affect the values of debt securities.

Fixed-Income Securities. Although fixed-income securities, which are interest-bearing securities, are investments which promise a stable stream of income, the prices of such securities are inversely affected by changes in interest rates and, therefore, are subject to the risk of market price fluctuations. The values of fixed-income securities also may be affected by changes in the credit rating or financial condition of the issuer. Certain securities, such as those with interest rates that fluctuate directly or indirectly based on multiples of a stated index, are designed to be highly sensitive to changes in interest rates and can subject the holders thereof to extreme reductions of yield and possibly loss of principal. The values of fixed-income securities also may be affected by changes in the credit rating or financial condition of the issuer.

Investments in sovereign debt obligations involve special risks which are not present in corporate debt obligations. The foreign issuer of the sovereign debt or the authorities that control the repayment of that debt may be unable or unwilling to repay principal or interest when due, and an investor may have limited recourse in the event of a default. Investing in Eurodollar and Yankee Dollar instruments involve risks associated with investing in foreign securities, which might affect payment of principal or interest on the bonds.

Municipal securities generally decline in value with increases in interest rates, when an issuer's financial condition worsens or when the rating on a bond is decreased. Many municipal securities may be called or redeemed prior to their stated maturity. In addition, the amount of public information available about municipal securities is generally less than that for corporate equities or bonds. Special factors, such as legislative changes and local and business developments, may adversely affect the yield and/or value of an investment in municipal securities.

Short Sales of Securities. Connective may sell securities short when it believes they will decline in price, if this strategy has been specifically approved by a client and when the client's risk tolerance and financial condition permit. There can be no assurances that these securities will decrease in value. If the price increases, Connective may be forced to cover the short portion at a higher price than the short sale price, resulting in a loss to the client. A short sale involves a theoretical unlimited increase in the market price of a security. In a short sale, the potential for loss is unlimited and unknown, whereas the potential for loss in a long trade is limited and knowable.

Lack of Diversification. Depending on account size, client portfolios generally are long investments in approximately 20 to 50 issuers, although the exact number of investments will vary. As such, a client's portfolio may not be as widely diversified among industries, geographic areas, types of securities or issuers as a more diversified portfolio. Accordingly, a client's portfolio may be subject to more rapid change in value than would be the case if its investments were more diversified.

Item 9. Disciplinary Information

Neither Connective nor its principals have any legal or disciplinary events to report.

Item 10. Other Financial Industry Activities and Affiliations

Neither Connective nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. In addition, neither Connective nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Connective does not recommend or select other investment advisors for its clients.

Potential Conflicts of Interest

Connective anticipates serving as an investment advisor to various types of clients and, as a result, Connective may have conflicts of interest in allocating its time and activity among clients, including those clients in which Connective may have a greater financial interest. From time to time, Connective may seek to invest assets of one client in a manner that may conflict with the trading activities of another client. For example, a conflict of interest also may arise when a client directs Connective to liquidate its account and Connective, at the same time, places purchase orders for the same securities for one or more of its other client accounts. A conflict of interest may also arise in connection with the treatment of investments (profit and loss taking) for taxable client accounts that may differ from the treatment for non-taxable client accounts. To maximize overall after-tax returns, Connective may sell securities for certain clients and at the same time place orders to purchase the same securities for other clients (causing returns of taxable and non-taxable client accounts to vary). When monitoring such trading activities, Connective seeks to ensure that, viewed objectively and over time, all clients are treated fairly and equitably.

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

Personal Trading and Code of Ethics

Pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), Connective has adopted a Code of Ethics (the "Code"), which sets forth standards of business and personal conduct for directors and officers of Connective and certain employees of Connective ("Covered Persons") and addresses conflicts that arise from personal trading by Covered Persons. The Code is predicated on the principle that employees of Connective will adhere to the highest standards of ethical conduct and must:

- place client interests first;
- engage in personal securities transactions consistent with the Code and avoid any actual or potential conflict of interest or any abuse of the position of trust and responsibility;
- not take inappropriate advantage of their positions; and
- act in accordance with federal securities laws and other applicable laws and regulations.

Connective requires employees to conduct themselves in an appropriate manner, as more fully described in the Code. As part of the Code, Connective has adopted personal securities transaction and reporting policies with respect to its clients.

Covered Persons may not purchase or sell any security in which the Covered Person has beneficial ownership unless the security is an exempted security or the Covered Person has complied with Connective's personal trading policy. Covered Persons also may not acquire, directly or indirectly, any securities in an initial public offering or private placement without prior written approval of the chief compliance officer of Connective (the "CCO") prior to engaging in such transactions. The CCO will consider certain factors, including whether a client is eligible to act on the investment opportunity and whether the Covered Person's position at Connective was used to obtain the investment opportunity. The investment opportunity also must be reviewed by a portfolio manager with no personal interest in the issuer. Portfolio managers of Connective are generally prohibited from acquiring securities in an initial public offering.

Covered Persons are discouraged from frequent personal trading. Covered Persons, with certain limited exceptions and subject to pre-clearance approval, may not purchase or trade in a security or instrument opposite of Connective's recommendations to clients. Covered Persons also may not engage in "front-running" and engage in personal trades of securities held by any client who also may be trading in the securities. Covered Persons must submit initial statements of their

personal securities holdings and provide the CCO with an updated list of personal securities holdings on an annual basis.

A copy of the Code is available to any client or prospective client upon request.

Participation of Interest in Client Transactions

From time to time, Connective's managers, officers, employees and related persons may have positions in, purchase or sell securities where the same security or another security of the same company is either held in, purchased or sold for any of Connective's client accounts. Connective's decision to purchase, sell or maintain a position in any client account will be made without considering whether such action may affect any security positions of Connective's managers, officers, employees or related persons. If any purchase or sale of a security on behalf of Connective's client accounts occur during the same day that Connective, its managers, officers, employees or related persons are purchasing or selling that security, and such person is exercising direct or indirect influence or control over Connective's client account, such account will always receive the best transaction price experienced that day. Transactions entered into to facilitate an execution for a client account or to correct an error are excluded from the foregoing rules. Connective reserves the right to modify its trading policy in extenuating circumstances.

Item 12. Brokerage Practices

In general, and under the advisory agreements between Connective and its clients, Connective will, absent a specific designation by a client, select the brokers and dealers to be used for execution of transactions and will agree with such brokers and dealers as to the amount of commissions or spread to be paid. The selection of broker-dealers and commissions to be paid will be based upon best execution, taking into account such factors as price, commissions, size of order, difficulty of execution, skill required of the broker, product expertise and research information.

Special circumstances may warrant the use of a broker-dealer whose price execution does not necessarily reflect the best price execution in the marketplace. Such broker-dealer will be used in light of such factors as the trading conditions in the marketplace on the day the transaction is executed, the research and analysis effort that went into the transaction and any special service provided by the broker-dealer for the benefit of the client that may have led to the transaction. In certain circumstances, clients may incur charges in connection with Connective's purchase of a security on a foreign exchange if there is a delay in the execution of the trade by the broker-dealer.

Soft Dollar Arrangements

Connective primarily selects broker-dealers on the basis of execution capabilities. However, in certain circumstances and in its discretion, Connective may cause a client to pay a commission to a broker or dealer for effecting a transaction in excess of the amount that another broker or dealer would have charged for effecting the same transaction. Connective will first determine in good faith that the higher commission is reasonable in relation to the value of the brokerage and research services provided by that broker or dealer.

The receipt by Connective of research or services other than execution from a broker-dealer in connection with client transactions may create a conflict of interest, in that Connective has an incentive to choose a broker or dealer that provides research services instead of a broker or dealer that may not provide such services, but charges a lower commission rate. Connective will receive brokerage or research services only when consistent with the provisions of Section 28(e) of the Securities Exchange Act of 1934. Neither the research services provided by a broker or dealer nor the amount of brokerage given to a particular broker or dealer is determined pursuant to an arrangement or commitment that would obligate Connective to compensate selected brokers or dealers for the services provided.

If and to the extent Connective receives research in connection with client transactions, Connective may not allocate the relative costs or benefits of research among its various clients. As such, research obtained as the result of commission dollars may be used to service accounts other than those for which trades were executed by the brokers or dealers providing the research. In addition, at times research may not be used to benefit the client account for which trades are executed by the brokers or dealers providing the research.

Connective may receive a variety of research services and information that may be used in connection with Connective's management of all client accounts. Such services and information may cover a variety of topics, including: issuers, industries, securities, economic factors and trends, portfolio strategy, performance of accounts, statistical information, market data, earnings estimates, critical analysis, pricing, risk measurement analysis and other information that may affect the U.S. or foreign economies, security prices or management of the portfolio. Research services are received primarily in the form of written reports, seminars, telephone contacts and personal meetings with security analysts, economists and senior issuer representatives.

Certain services may be used for research purposes as well as other purposes. In such cases, the portion allocated to research is paid for through commission dollars, and the portion allocated to other purposes is paid by Connective.

Directed Brokerage

The investment advisory agreements between a client and Connective generally provides that Connective may select a broker, without prior notice to the client, in accordance with Connective's policy with respect to allocation of brokerage and brokerage commissions. That policy is discussed below under "Trade Aggregation."

Under certain conditions, however, Connective may accept written direction from a client to direct brokerage commissions from the client's account to a particular broker in exchange for services provided by the broker to the client. As a registered investment advisor, Connective's overall objective in effecting client transactions is to seek best execution, Connective will generally accept written directions from a client only with respect to a limited portion of clients' overall trades on a "best efforts" basis. As a result, Connective generally will not submit client orders with a directed broker when a pending order, with respect to the same security, with another broker is the broker providing best execution. In the case of a directed order, Connective may not be able to freely negotiate commission rates or select brokers on the basis of best available price and most favorable execution, and transactions directed in this manner may not be aggregated for execution with transactions in the same securities for other clients. Connective will generally execute directed transactions after executing transactions in the same security for clients who do not specify a particular broker-dealer. Consequently, clients that have directed brokerage arrangements may have to pay higher commissions or receive a less favorable net price than would be in the case if Connective were authorized to choose the broker-dealer through which to execute transactions. Further, in the case of a fixed-income account, the account may be subject to sequencing delays in meeting client directed brokerage requests, consequently impacting Connective's ability to achieve best execution for the clients making such requests. This, in turn, may cause clients to incur higher charges. In other words, clients may have to give up certain benefits that Connective may have received for its non-directed accounts.

Trade Aggregation

Connective may, but is not required to, aggregate or "bunch" orders for client accounts at times when Connective believes that such aggregation will result in more favorable overall execution. Client accounts for which Connective may aggregate orders may include accounts in which Connective, its officers, employees and its related persons have a financial interest. Orders for the same security may be aggregated to facilitate best execution and to reduce costs, particularly brokerage commissions.

Connective effects aggregated transactions in a manner designed to ensure that all clients are treated fairly. For example, each client that participates in an aggregated transaction will receive the average share price for that security on that day with respect to the aggregated order. Typically (and when possible), securities that are purchased or sold in aggregated transactions are allocated on a *pro rata* basis to the participating accounts in proportion to the size of the order. However, Connective has instituted trade allocation policies and procedures designed to identify circumstances under which it is appropriate to use other methods of allocating trades. For example, an account that specializes in a particular type of security may receive an increased allocation if the security matches the account's investment objective or focus. On the other hand, new accounts may be given priority during their initial investment stage. Additionally, if a standard allocation would result in an account receiving a very small allocation because of its smaller asset size, or if Connective is unable to fully execute an aggregated order and determines that it would be impractical to allocate a small number of securities among the participating accounts on a *pro rata* basis, Connective may allocate such securities in a manner that it determines in good faith to be a fair allocation. In some instances, the size of the position or the price received by the client may be adversely affected by aggregating orders when compared with the position size or price that would have been received had no aggregation occurred.

Generally, if a client instructs Connective to direct brokerage commissions from the client's account to a particular broker to execute transactions, that client will not participate in aggregated orders and may not obtain reduced commission rates. Rather, the client will be charged the commission rate negotiated between the client and its directed broker.

Item 13. Review of Accounts

Connective periodically reviews client accounts. Account reviews depend on the arrangements made with each client based on the asset composition and asset size of the client's portfolio, as well as the nature of the services provided to the client. Connective generally reviews client accounts on a quarterly basis, but reviews also may be made monthly. Clients are requested to inform us immediately of significant changes in their personal or financial condition that were not previously disclosed, but are the result of changed circumstances.

A review may relate to an entire portfolio, specific portions of the portfolio, or specific transactions or investments. Additional reviews may be triggered by various events including changes in market conditions, changes in a client's investment strategy or investment objective, personal events affecting a client, and other circumstances.

The investment professional directly responsible for the account relationship will participate in the review which may include other professionals within the firm. Rudolf Millisits, Chief Executive Officer, is primarily responsible for conducting account reviews. Mr. Millisits may consult, in preparation for a review, with Philippe Comby, President and Chief Financial Officer.

Instructions relating to performance with respect to timing, level and scope of reviews will be determined by the above persons in light of the particular needs and arrangements made with each client. Reviews will encompass comprehensive evaluations of performance to date, including past transactions, policies and strategies, and future policies, strategies and tactics.

Reports to clients will be determined in accordance with the specific needs of each client. Connective generally will provide oral reports monthly and will provide written reports discussing the investment performance of the client's account upon request. Along with these reports, Connective delivers to each client a statement of the assets held in the client's account and a description of each asset, including cost and current market values. Connective may provide more frequent reports to both accounts which trade securities each day. In addition to providing these oral and/or written reports, Connective generally meets with clients at least annually, or more frequently upon request, to review investment strategy, performance and administrative matters.

Item 14. Client Referrals and Other Compensation

The Advisor does not receive any economic benefits from any person who is not a client for providing investment advice or other advisory services to its clients.

Connective may compensate non-employees for client referrals in accordance with Rule 206(4)-3 under the Advisers Act. Generally, payments under such arrangements would consist of a cash payment computed as a percentage of the referred client's advisory fee, although other methods of computation could be used. Clients who are referred to Connective, and for whom Connective pays a referral fee, will receive a separate disclosure statement from the solicitor that will include, among other things, the nature of the relationship between the solicitor and Connective, a statement that the solicitor is being compensated by Connective for the referral, the terms of such compensation arrangement including a description of the fees paid or to be paid to the solicitor and, if applicable, the additional amount that will be charged to the investment advisory fee and the differential attributable to such a solicitor arrangement.

In the event that a potential client's interests and/or investment needs are not appropriate for Connective to manage, Connective may recommend that potential client to another investment adviser and Connective may receive a "referral fee" from that investment adviser. Connective and the other investment adviser to whom the client has been referred, will disclose any referral fee to that client consistent with their obligations under the Advisers Act.

Item 15. Custody

Client assets will be maintained at an independent, third-party custodian, so Connective does not maintain direct custody of its clients' assets. However, under Rule 206(4)-2 under the Advisers Act, "custody" is broadly defined to also include holding indirectly client funds or securities, or having any authority to obtain possession of them. In particular, Connective will be considered to have indirect custody if Connective is authorized under its advisory agreements with those clients to make withdrawals from client accounts to pay its advisory fee.

In order to avoid any conflict of interest that indirect custody of client assets may cause, in accordance with Rule 206(4)-2, Connective makes due inquiry in order to have a reasonable basis to believe that the third-party custodian sends an account statement, at least quarterly, to each client, identifying the amount of funds and of each security in the account at the end of the period and setting forth all transactions in the account during that period. Clients should carefully review the account statements that they receive from their third-party custodian, and they are urged to compare those account statements with the account statements that they receive from Connective.

Item 16. Investment Discretion

Connective generally has the discretionary authority to make all investment decisions on behalf of its clients regarding the purchase and sale of securities, the broker or dealer to be used and the commission rate paid. Clients, however, may elect to maintain some or complete discretionary authority over their accounts. In a non-discretionary relationship, Connective customarily would make periodic investment recommendations to the client involving the purchase and sale of securities. In adopting such recommendations, the clients may request that Connective place orders for the purchase or sale of those securities and permit Connective to select the executing brokers, or the client may direct such transactions to specified brokers. For additional information about Connective's brokerage practices, please see Item 12 herein.

Item 17. Voting Client Securities

Connective, unless otherwise directed, will vote client securities on behalf of its clients. As such, Connective has adopted proxy voting policies and procedures pursuant to Rule 206(4)-6 under the Advisers Act. Specifically, Connective has adopted Proxy Voting Guidelines (the "Voting Guidelines") that provide as follows:

- Connective votes proxies in respect of a client's securities in the client's best economic interests and without regard to the interests of Connective or any other client of Connective.
- Unless Connective's Proxy Voting Committee (the "Committee") otherwise determines (and documents the basis for its decision) or as otherwise provided below, Connective votes proxies in a manner consistent with the Voting Guidelines.
- To avoid material conflicts of interest, Connective applies the Voting Guidelines in an objective and consistent manner across client accounts. Where a material conflict of interest has been identified and the matter is covered by the Voting Guidelines, the Committee votes in accordance with the Voting Guidelines. Where a conflict of interest has been identified and the matter is not covered in the Voting Guidelines, the Committee will disclose the conflict to the client and advise the client that its securities will be voted only upon the client's written direction.
- Connective also may determine not to vote proxies in respect of securities of any issuer if it determines it would be in its clients' overall best interests not to vote.

The Voting Guidelines also address how Connective will vote proxies on particular types of matters such as elections for directors, adoption of option plans and anti-takeover proposals. Clients can obtain a copy of the Voting Guidelines or information on how Connective voted their proxies by contacting Connective.

Item 18. Financial Information

Connective does not have any condition that impairs its ability to meet contractual commitments to clients, and has not ever been the subject of any bankruptcy proceedings. Connective does not require the prepayment of fees more than 6 months or more in advance and therefore, is not required to include a financial statement with this brochure.