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**BERENBERG**  
ASSET MANAGEMENT

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**Form ADV, Part 2A**

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October 31, 2014

This firm brochure (the “Brochure”) provides information about the qualifications and business practices of Berenberg Asset Management LLC (“BAM” or “we”). If you have any questions regarding the contents of this Brochure, please contact our Chief Compliance Officer, Elizabeth Ryvkin, at (646) 445-5564 or [Elizabeth.Ryvkin@berenberg-am.com](mailto:Elizabeth.Ryvkin@berenberg-am.com). The information in this Brochure has not been approved or verified by the Securities and Exchange Commission (“SEC”) or by any state securities authority. Additional information about BAM is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

BAM is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration as an investment adviser does not in any way constitute an endorsement by the SEC of an investment adviser’s skill or expertise, nor does it imply a certain level of skill or training.

## Item 2 | Material Changes

BAM has no material changes to disclose.

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#### Item 4 | Advisory Business

BAM is an investment adviser that provides investment advice primarily in the United States and, in providing that advice, BAM utilizes the investment experience and expertise of its ultimate principal owner, Joh. Berenberg, Gossler & Co. KG (“Joh. Berenberg”), a German regulated bank and one of the oldest private banks in the world. BAM intends to offer five primary investment management strategies to its clients: (1) European and Emerging Markets Equity Long strategies, (2) Emerging Markets Fixed Income strategy; (3) Equity, Currency, Commodities and Interest-Rate Related Overlay, (4) Market Neutral (DyMACS), and (5) a customizable portfolio (collectively the “BAM US Strategies”), each of which is discussed in more detail in “Methods of Analysis, Investment Strategies and Risk of Loss” in Item 8 below.

BAM is a Delaware limited liability company organized in December 2013 and is based in New York, New York. BAM’s sole member is Berenberg Americas LLC, which in turn is a wholly owned subsidiary of Berenberg Beteiligungsholding GmbH (“BBH”). BBH is the holding company principally owned by Joh. Berenberg.

BAM, as a subsidiary of Joh. Berenberg, follows Joh. Berenberg’s investment strategies and methods. Based on those strategies and methods, BAM’s investment advisory services follow a rule-based, or quantitative, trading strategy using data aggregation to create algorithms based on past market events. Our quantitative investment approach is discussed in more detail in Item 8 below. In implementing the BAM US Strategies, we actively manage portfolios of equity securities and fixed income securities to outperform a passive index strategy. We also offer dynamic hedging “overlay” strategies that employ active risk management based on market movements. The overlay strategies trade in foreign exchange currency forwards (“fx-forwards”) or futures seeking to manage mid- to long-term market price risk (>12 months) of currency, equity, commodity or interest-rate related investments. Our DyMACS strategy is a derivatives-based strategy that utilizes option trading generally combined with a portfolio of conservative fixed income securities.

BAM’s goal is to provide our clients with an investment mandate that addresses their unique portfolio. As such, we offer our clients the opportunity to combine strategies and impose additional guidelines in order to create an investment platform customized to meet their needs. BAM provides similar investment advisory services to each of its clients, although BAM tailors specific investment management advice for each client based on the client’s investment objectives, characteristics and client-imposed investment restrictions, as established by BAM and the client and generally set out in a separate investment management agreement, limited partnership agreement, private placement memorandum and/or other governing documents (collectively, the “Governing Documents”). The terms of the Governing Documents may differ from client to client. Additional information on our investment process and how we address the needs of our clients is contained throughout this Brochure.

BAM does not participate in any wrap fee programs.

As of October 31, 2014, BAM has approximately \$25.5 million in assets under management.

## Item 5 | Fees and Compensation

BAM clients pay a quarterly management fee based on the notional account size as defined in the applicable Governing Documents agreed to with the client. The management fee is payable in arrears on the 30<sup>th</sup> business day after the end of each quarter and is generally deducted from client assets. In addition, BAM may be entitled to a share of revenue generated by the client's portfolio as performance-based compensation, subject to the terms of the applicable Governing Documents. Overall fees and payment terms may vary by client depending on a number of factors, including but not limited to, related accounts, portfolio style, and amount of assets under management and will be determined as set out in the applicable Governing Documents.

Certain fees may be paid in advance of services provided. Because the management fee is paid in arrears, refunds for fees paid are generally not given. In the event an account terminates, fees will be prorated for the number of days the account was under management. Typically, Governing Documents for a separately managed account can be terminated by providing 90 days advance written notice. After 90-day notice has been provided, fees due for the final period of the agreement will be adjusted proportionally to the number of days left in the agreement and will be due no later than 30 days after date of account termination. Upon account termination, any prepaid or unearned fees are generally refunded. In calculating a client's reimbursement of fees, BAM may prorate the reimbursement according to the number of days remaining in the billing period. Under specific circumstances, BAM may offer different terms to the client. No penalty will be charged for termination.

In addition to the fees above, each client generally must bear all of its operating expenses, which may include:

- legal, auditing and accounting fees and expenses (including costs of reports to the client, financial statements, and tax returns);
- custodial fees;
- transaction and currency costs;
- all extraordinary expenses (such as litigation);
- interest on and fees and expenses arising out of all permitted borrowings made on behalf of the client; and
- any taxes, fees or other governmental charges levied against the client and all expenses incurred in connection with any tax audit, investigation, settlement or review of the client's account.

To the extent BAM organizes an investment fund, each such fund may pay or otherwise bear all fees, costs, expenses, and other liabilities incurred in connection with the formation and organization of, or sale of interests in, such fund, its general partner or similar person and/or investment manager, including commissions, costs, and all out-of-pocket legal, accounting, filing, capital raising, printing, and other similar fees, costs and expenses. In addition to those above, investment funds managed by BAM may pay operating fees, costs and expenses incurred in connection with: the preparation of fund reports and any other financial, tax, accounting or fund administration reporting functions (including expenses associated with the preparation of financial statements, tax returns, and Internal Revenue Service Schedules "K-1" or any successors thereto).

and the tax matters partner's representation of such fund or its investors), such fund's indemnification obligations, complying with any law, rule or regulation or directive applicable to investment funds, and the dissolution, winding down and termination of such fund. The actual fees (including the specific payment terms and other conditions of the management fees and performance-based fees), costs, expenses, and other liabilities to be borne by a particular investment fund will be set out in, and qualified in their entirety by, the Governing Documents of the investment fund.

BAM clients may incur brokerage and other transaction costs, as discussed more fully under "Brokerage Practices" in Item 12 below.

Neither BAM nor any of BAM's supervised persons accept commissions or markups or other compensation for the sale of investment products that BAM recommends to its clients in addition to its advisory fees.

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

In certain instances, BAM may charge a performance-based fee. Performance-based fees are calculated based on a share of revenue generated by the client's portfolio. Performance-based fees will only be charged to those clients who, at the time of entering into a Governing Document with BAM, are deemed "qualified clients" under Rule 205-3 of the Advisers Act.

It is possible that two client accounts with the same strategy may have different fee structures. In a situation where one client pays a performance-based fee and one does not, the two clients could pay different amounts for the same service. The difference would result solely from the performance-based fee structure. Performance-based fee structures can provide for increased compensation for an adviser, which can create an inherent conflict of interest. One conflict of interest could arise from the incentive for an adviser to make riskier or more speculative investments in an effort to improve performance and generate a higher fee. An additional conflict of interest could arise from the incentive for an adviser to favor the performance-based fee accounts over other accounts in the allocation of investment opportunities.

BAM has designed and implemented procedures to ensure that all clients are treated fairly and equally when allocating investment opportunities, regardless of the client's fee structure. Those procedures are discussed in further detail below in Item 8 of this Brochure. Further, BAM's rule-based investment approach, in which investment decisions are initiated by a model trigger, inherently serves to lower the opportunity for the adviser to allocate according to fee structure.

### **Item 7 | Types of Clients**

BAM provides discretionary portfolio management services by serving as an investment adviser or sub-adviser to offshore accounts, private funds, and private accounts for certain institutional clients.

Subject to negotiation and exceptions, there is a minimum size of \$10,000,000 for sub-advised and private accounts. BAM may, at its sole discretion, exempt certain accounts from this minimum.

## METHODS OF ANALYSIS

BAM, as a subsidiary of Joh. Berenberg, follows Joh. Berenberg's investment strategies and methods. Based on those strategies and methods, BAM's investment advisory services follow a rule-based, or quantitative, trading strategy using data aggregation to create algorithms based on past market events. Our investment approach is generally a "bottom-up" approach combining quantitative analysis of fundamental and technical factors with risk management assessments. This approach is generally composed of the following attributes:

- Disciplined and risk controlled securities transactions
- Execution based on quantitative research
- Quantitative research analysts with extensive modeling experience
- Strict risk management controls using portfolio management systems as well as internally developed systems
- Daily stress testing at the position and portfolio level
- Review of past transactions

BAM periodically reviews its models and strategies to determine their effectiveness and incorporate additional trends. Therefore, BAM's investment process has evolved and changed over time, and BAM expects it to continue to do so.

## BAM US STRATEGIES

- (i) **Equity Long Strategy:** BAM uses a systematic and transparent stock selection process with a rule-based approach grounded in fundamental and technical principles. The strategy aims to capture profits from stock investment while providing what we believe to be significant protection during downside periods.

The European Equity strategy is based on the systematic selection process of European stocks in the EURO STOXX Large Index (the "Investment Universe") and its benchmark is the EURO STOXX 50 NR (the "Benchmark"). The Benchmark covers 50 stocks from 12 Eurozone countries: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain.

The Emerging Markets Equity strategy is based on the systematic selection process of the top 300 large cap companies in the MSCI Emerging Markets Index (the "Investment Universe") and its benchmark is the MSCI Emerging Markets TR EUR Index (the "Benchmark"). The MSCI Emerging Markets Index consists of the following 23 emerging market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey\* and United Arab Emirates. The MSCI Total Return Indexes measure the price performance of markets with the income from constituent dividend payments. The MSCI Daily Total Return (DTR) Methodology

reinvests an index constituent's dividends at the close of trading on the day the security is quoted ex-dividend (the ex-date).

The strategy focuses on the identification of undervalued stocks that are currently on what we believe (a) to be a good trend and (b) have shown some resilience in falling markets. Our bottom-up approach combines fundamental (*e.g.*, review of earning revisions and growth to profits-to-earnings ratios) and technical (*e.g.*, actual share level versus a moving average and relative performance against an index) analysis with risk assessments (*e.g.*, rolling average performance during falling markets and the influence of negative company events). The portfolio is reviewed on a systemic basis and re-balanced as indicated by the models.

- (ii) **Fixed Income Long Strategy:** BAM uses a systematic and transparent bond selection process with a rule-based approach grounded in fundamental and technical principles. The strategy aims to capture profits from bond investment while providing what we believe to be significant protection during downside periods.

The Emerging Markets Fixed Income strategy is based on the systematic selection process within the JPMorgan Emerging Markets Bond Index Plus (EMBI+) investment universe. The strategy invests in emerging markets hard currency government/government related bonds predominantly in US dollar, focusing on the 18 most liquid issuers.

The Emerging Markets Fixed Income strategy has continuous risk management combined with an active management of the emerging markets portfolio. The strategy focuses on fundamentally strong, as defined by the rule-based parameters, emerging market government bonds that meet pre-defined risk restrictions. The portfolio is reviewed on a systemic basis and re-balanced as indicated by the models.

- (iii) **Equity, Currency, Commodities and Interest-Rate Related Overlay:** BAM employs four portfolio overlay strategies to manage investment risk for US clients: (1) equity, (2) currency, (3) commodity interests and (4) interest-rate related. The strategies use liquid derivatives (forwards, options and futures) to dynamically hedge underlying portfolio positions and provide tactical investment diversification. As opposed to a static hedge that constantly secures the full exposure of an investment position, BAM's overlay strategy actively manages risk through a rule-based multi-model architecture that analyzes the market price of the underlying portfolio and the cost versus income (the "hedge ratio") of applicable hedging instruments. Hedging is increased when the underlying asset depreciates and decreased when the underlying asset appreciates. Rule-based decisions are based on behavioral finance and historical market trends. The strategy attempts to achieve an asymmetric risk-return profile that can limit market price risk and increase investment gains.

- (iv) **Market Neutral – Dynamic Market Adaptive Combined Scoring ("DyMACS"):** BAM's DyMACS strategy is a derivatives-based strategy that seeks to exploit the inherent mispricing of options and provide a market neutral income stream to a short-term portfolio. The derivatives-based strategy is generally implemented in connection with an



investment in a conservative bond portfolio. The strategy uses a strict and transparent investment process with a focus on reducing risk in seeking to generate option premiums independent of the underlying assets. The strategy actively seeks to reduce “value at risk” during certain market phases. BAM uses a volatility based, dynamic risk management approach and continuously monitors positions with proprietary systems.

- (v) **Customized portfolio:** BAM offers a customized portfolio that may include any combination of or all of the strategies above, as well as applying these rule-based models to other geographies and markets, including emerging markets.

**Investing in securities involves risk of loss that clients should be prepared to bear, INCLUDING THE RISK OF LOSS OF THE ENTIRE INVESTMENT.**

### MATERIAL RISKS GENERALLY

An investment with BAM entails a significant degree of risk and therefore should be undertaken only by investors capable of evaluating and bearing these risks. BAM constantly keeps the risk of loss in mind and attempts to moderate these risks. There is no guarantee that our quantitative models and analyses and overall execution of our investment strategies will be successful. Each type of security and/or strategy has its own unique set of risks associated with it, and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. The past investment performance of BAM or Joh. Berenberg cannot be taken to guarantee future results.

Set forth below is a non-exhaustive list of additional risks. Prospective investors are advised to review the applicable offering materials for a more extensive description of the risks of investing with BAM:

*Model and data risk* – There are inherent limitations in every quantitative model. BAM relies heavily on proprietary quantitative models and information and data supplied by third parties. When the models and data prove to be incorrect or incomplete, any decisions made in reliance thereon expose the product and/or strategy to potential risks. Similarly, any hedging based on faulty models and data may prove to be unsuccessful. The value of the securities selected using quantitative analysis can react differently to issuer, political, market, and economic developments than the market as a whole or securities selected using only fundamental analysis. The factors used in quantitative analysis and the weight placed on those factors may not be predictive of a security’s value. In addition, factors that affect a security’s value can change over time and these changes may not be reflected in the quantitative model. Any model may contain flaws the existence and effect of which may be discovered only after the fact or not at all. Even in the absence of flaws a model may not perform as anticipated. As market dynamics shift over time, a previously highly successful model often becomes outdated or inaccurate, perhaps without BAM recognizing that fact before substantial losses are incurred. These models may, for a variety of reasons, fail to accurately predict relative returns for, risk levels, volatilities of, and correlations among strategies and investments, including because of scarcity of historical data in respect of certain strategies and investments, erroneous underlying assumptions, and estimates in respect of certain data, or other defects in inputs and the models, or because future events may not necessarily follow historical

norms. There can be no assurance that BAM will be successful in developing and maintaining effective quantitative models it may use, and the necessity of continuously updating these models demonstrates that any of BAM's successful results from such models may not be representative of a client account's future performance.

*Potential loss of investment* – No guarantee or representation is made that the investment program described in these materials will be successful. An investment with BAM is speculative and involves a high degree of risk. Investors must have the financial ability, sophistication/experience and willingness to bear the risks of such an investment. An investment with BAM is not suitable for all investors. Investors could lose part or all of their investment and the product may incur losses in markets where major indices are rising and falling. Results may be volatile. Accordingly, investors should understand that past performance is not indicative nor a guarantee of future results.

*Possible Economic Downturns* – The value of investments may fluctuate in accordance with changes in the financial condition of the issuers of the portfolio securities, the value of debt and equity securities in general and other factors that affect the markets in which the accounts invest. Economic slowdowns or downturns could lead to financial losses in the accounts' portfolio securities and in net assets of the accounts. In addition, many of the portfolio securities may be similarly subject to the same economic conditions, which could adversely impact returns. The risks inherent in the investments made for an account include those associated with investments in debt and equity securities, including the risk that the financial condition of issuers may become impaired or that the general condition of the debt and equity markets may deteriorate (either of which may cause a decrease in the value of the portfolio securities and thus in the value of the assets of the account). Debt and equity securities are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence and perceptions of their issuers change. These investor perceptions are based on various and unpredictable factors, including expectations regarding government, economic, monetary and fiscal policies, inflation and interest rates, economic expansion or contraction, and global or regional political, economic or banking crises. Decreases in the market value of the investments made for the account will adversely affect the returns of the account.

*Recent Developments in Financial Markets* – The developments in the global financial markets, specifically the US downturn in 2008 and the European downturn in 2011, illustrate that the current environment is one of extraordinary and possibly unprecedented uncertainty. In light of such recent market turmoil and the overall weakening of the financial services industry, BAM, Joh. Berenberg and other financial institutions' financial condition may be adversely affected and they may become subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on business and operations.

*Political, Economic and Other Conditions* – BAM's investments may be adversely affected by changes in economic conditions or political events that are beyond its control. For example, a stock market break, continued threats of terrorism, the outbreak of hostilities involving the United States, or the death of a major political figure may have significant adverse effects on general economic conditions, market conditions, market liquidity and the accounts' investment results. Other factors, such as changes in US federal or state tax laws, US federal or state securities laws, bank

regulatory policies or accounting standards, may make investment in the US economy less desirable. Similarly, legislative acts, rulemaking, adjudicatory or other activities of the US Congress, the US Securities and Exchange Commission, the US Federal Reserve Board, the New York Stock Exchange, the Financial Industry Regulatory Authority or other governmental or quasi-governmental bodies, agencies and regulatory organizations may make BAM's business less attractive. A negative impact on economic fundamentals and consumer confidence may negatively impact market value, increase market volatility and cause credit spreads to widen, each of which could have an adverse effect on the investment performance of client accounts.

*The Occurrence of a Terrorist Attack, or the Outbreak, Continuation or Expansion of War or Other Hostilities, Pandemics or Natural Disasters Could Disrupt Trading Activity and Materially Affect Profitability* – The operations of BAM, Joh. Berenberg, the exchanges, brokers, dealers and counterparties with which the client accounts and BAM and Joh. Berenberg do business, and the markets in which BAM and Joh. Berenberg do business could be severely disrupted in the event of a major terrorist attack or the outbreak, continuation or expansion of war or other hostilities. The terrorist attacks of September 11, 2001, have heightened this concern tremendously. The situations in Iran, Iraq, Pakistan, Afghanistan and North Korea, global anti-terrorism initiatives and political unrest in Eastern Europe, the Middle East and Southeast Asia continue to fuel this concern. Additionally, a serious pandemic, such as avian influenza, or a natural disaster, such as a hurricane, could severely disrupt local, regional or global economies.

*Non-US Exchanges and Markets* – BAM may engage in trading on non-US exchanges and markets for its US clients. Trading on such exchanges and markets involves certain risks not applicable to trading on US exchanges and is frequently less regulated. For example, certain of such exchanges may not provide the same assurances of the integrity (financial and otherwise) of the marketplace and its participants as do US exchanges. There also may be less regulatory oversight and supervision by the exchanges themselves over transactions and participants in such transactions on such exchanges. Some non-US exchanges, in contrast to US exchanges in general, are “principals’ markets” in which performance is the responsibility only of the individual member with whom the trader has dealt and is not the responsibility of an exchange or clearing association. Furthermore, trading on certain non-US exchanges may be conducted in such a manner that all participants are not afforded an equal opportunity to execute certain trades and may also be subject to a variety of political influences and the possibility of direct government intervention. Certain markets and exchanges in non-US countries have different clearance and settlement procedures than US markets for trades and transactions and in certain markets, there have been times when settlement procedures have been unable to keep pace with the volume of transactions, thereby making it difficult to conduct such transactions. Any difficulty with clearance or settlement procedures may expose BAM's clients to losses. Trading on non-US markets is also subject to the risk of fluctuations in the exchange rate between the local currency and the US dollar and to the possibility of exchange controls. Trading on non-US securities markets or exchanges may also result in client accounts incurring taxes in the local jurisdictions.

*Trading in Securities of Non-US Issuers* – BAM may trade in securities of non-US issuers traded outside of the United States. In addition to currency exchange risks, such trading requires consideration of certain other risks not typically associated with investing in US securities. There may be less publicly available information regarding issuers located in certain countries. In addition, certain

countries may have no laws or regulations prohibiting insider trading. Furthermore, if the accounting standards in a non-US country do not require as much detail as US standards, it may be harder for BAM to analyze the financial condition of an issuer located in such country. The economies of certain countries often do not compare favorably with the economy of the United States with respect to such issues as growth of gross national product, reinvestment of capital, resources and balance of payments position. Certain of such economies may rely heavily on particular industries or foreign capital and are more vulnerable to diplomatic developments, the imposition of economic sanctions against a particular country or countries, changes in international trading patterns, trade barriers and other protectionist or retaliatory measures. Investments in non-US markets also may be adversely affected by governmental actions such as the imposition of capital controls, nationalization of companies or industries, expropriation of assets, the imposition of punitive taxes or the imposition of withholding or other taxes on dividends, interest, capital gains, other income or gross sale or disposition proceeds of the client accounts. In addition, the governments of certain countries may prohibit or impose substantial restrictions on foreign investing in their capital markets or in certain industries. Any such action could severely affect security prices, impair BAM's abilities to purchase or sell non-US securities or otherwise adversely affect client accounts. Other non-US market risks include difficulties in pricing securities, difficulties in enforcing favorable legal judgments in non-US courts, and political and social instability. Legal remedies available to investors in certain countries may be less extensive than those available to investors in the US or other countries. With respect to certain countries, there is a possibility of expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains, other income or gross sale or disposition proceeds.

*Non-US Currencies* – Although most of the BAM's clients will be US-dollar denominated, BAM will make investments that are denominated in a non-US currency. Non-US currency investments are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments. BAM intends, but is under no obligation, to employ hedging techniques to minimize these risks, but there can be no assurance that such strategies will be effective.

*Emerging Markets* – Investments in emerging markets involve greater risks than investments in established economies, such as the US or Europe. Risks such as political and economic risks and the risk of currency fluctuation are magnified in emerging markets.

*Capital Market Risk* – The development of securities prices depends in particular on the development of the capital markets, which in turn are dependent on the general situation of the global economy and on the economic and political conditions in the countries in question. The general development of securities prices, especially on a stock exchange, can also be affected by irrational factors, such as moods, opinions, and rumors. Variations in rate and market values may also be due to changes in interest rates, exchange rates or the creditworthiness of an issuer.

*Risks Associated with the Use of Leverage* – In certain circumstances, BAM may use leverage or borrowed money in seeking investment objectives. The use of leverage involves unique risks. The

purchase of securities using borrowed money has a magnifying effect on both positive and negative outcomes. A relatively small market movement will have a proportionately larger impact on the account. A client account may sustain a total loss of initial margin funds and any additional funds deposited with BAM to maintain a position. If the market moves against the position or margin levels are increased, a client account may be called upon to pay substantial additional funds on short notice to maintain a position. If additional funds are not applied within the time prescribed, a client position may be liquidated at a loss and the account will be liable for any resulting deficit.

## MATERIAL RISKS OF KEY INVESTMENT STRATEGIES

### ***European and Emerging Markets Equity Long Strategies***

*Equity Securities Generally* – BAM may invest in common and preferred stock and other equity securities, including both public and private equity securities. Equity securities involve a high degree of risk and will be subordinate to the debt securities and other indebtedness of the issuers of such equity securities. Market prices of equity securities generally are subject to greater volatility than prices of fixed-income securities. Such fluctuations are often based on factors unrelated to the value of the issuers of the securities, such as poor economic or market conditions. Market prices of equity securities as a group have dropped dramatically in a short period of time on several occasions in the past, and they may do so again in the future. In some cases, the issuers of such equity securities may be highly leveraged or subject to other risks such as limited product lines, markets or financial resources. In addition, some of these equity securities may be or may become illiquid. Because of perceived or actual illiquidity or investor concerns regarding leveraged capitalization, these securities often trade at significant discounts to otherwise comparable investments or are not readily tradable. These securities generally do not produce current income for client accounts and may also be speculative. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities or which are the subject of rumors of accounting irregularities. Client accounts may experience a substantial or complete loss on individual equity securities.

*Equity Securities of Small and Mid-Cap Companies* – Some of the issuers of equity securities in which client accounts may invest may be more vulnerable than larger companies to adverse business or market developments, may have limited markets or financial resources and may lack experienced management. In addition, many small and medium size companies are not well known to the investing public, do not have significant institutional ownership and are followed by relatively few analysts, and thus there may tend to be less publicly available information concerning such companies compared to what is available for companies that have larger market capitalizations.

### ***Emerging Markets Fixed Income Strategy***

*Fixed Income Security Risk Generally* – Fixed income is generally considered to be a more conservative investment than stocks, but bonds and other fixed income investments still carry a variety of risks:

- *Interest rate risk* – Investors don't have to buy bonds directly from the issuer and hold them until maturity. Instead, bonds can be bought from and sold to other investors on what's called the secondary market. Bond prices on the secondary market can be higher



or lower than the face value of the bond depending on the economic environment and market conditions—both of which can be affected significantly by a change in interest rates. If interest rates rise, bond prices usually decline. That's because new bonds are likely to be issued with higher yields as interest rates increase, making the old or outstanding bonds less attractive. If interest rates decline, however, bond prices usually increase, which means an investor can sometimes sell a bond for more than face value, since other investors are willing to pay a premium for a bond with a higher interest payment, also known as a coupon.

- *Credit risk* – Bonds carry the risk of default, which means that the issuer may be unable or unwilling to make further income and/or principal payments. In addition, bonds carry the risk of being downgraded by the rating agencies which could have implications on price. Most individual bonds are rated by a credit agency such as Moody's or Standard & Poor's (S&P) to help describe the creditworthiness of the issuer or individual bond issue. Bonds are typically classified as investment grade quality (from medium to the highest credit quality) or non-investment grade (commonly referred to as high yield bonds).
- *Inflation risk* – Inflation risk is the risk is that inflation will rise, thereby lowering the purchasing power of money. When a bond matures and the principal is returned, that amount may be lower in terms of real value to correspond with the amount of inflation.
- *Prepayment risk* – Some classes of individual bonds, including mortgage-backed bonds, are subject to prepayment risk. Prepayment risk is the risk that the issuer of a security will repay principal prior to the fixed income security's maturity date, thereby changing the expected payment schedule of the fixed income security.

### ***Equity, Currency, Commodities and Interest-Rate Related Overlay***

*Risks Generally Associated with BAM's Overlay Strategies* – The quantitative approach of BAM's overlay strategies involves models dependent on positive or negative trends in market data. Such models tend to lack performance in markets moving sideways with no clear positive or negative trend or direction. In such an environment, trade signals may be generated in the anticipation of a new developing trend which then may turn out to be no trend at all with adverse effects on performance. The risk increases with the length of time in which markets without material positive or negative movements persist.

*Risks Associated With Derivatives Trading* – BAM may enter into derivatives transactions for its clients. Buying and selling options or entering into futures or forwards contracts or swaps is associated with the following risks:

- Changes in the price of the underlying instrument may reduce the value of an option right or futures contract. If the value reduces until they are valueless, BAM may be forced to allow the purchased rights to expire. Clients can also suffer losses from changes in the value of the assets underlying a swap.

- The value of a client's assets can be more strongly influenced by the leverage effect of options than would be the case if the underlying instruments were acquired directly. It may not be possible to determine the risk of loss when concluding the transaction.
- There may be a lack of a liquid secondary market for a particular instrument at any specific time. It may not be possible to neutralize (close) a position in the derivatives under certain circumstances.
- The purchase of options entails the risk that the price of the underlying instrument might not change as expected, leading to the expiration of the option without exercise and consequent loss of the option premium paid by the Fund. When options are sold, there is a risk that the Fund will be required to purchase assets at a price higher than the current market price or to deliver assets at a price lower than the current market price. In that case, the Fund suffers a loss in the amount of the difference in prices minus the option premium collected.
- For futures contracts there is a risk that a client will be required to bear the difference between the rate set on conclusion and the market rate at the time of the closing out or maturity of the transaction. The client would therefore suffer losses. The risk of loss cannot be determined when concluding the futures contract.
- Closing out a position with an offsetting transaction, when necessary, generates costs.
- The forecasts made by BAM on the future development of fundamental assets, interest rates, prices and exchange markets may prove to be incorrect later.
- The assets on which the derivatives are based may not be purchased or sold at a favorable time or have to be purchased or sold at an unfavorable time.
- Potential losses may be incurred through the use of derivatives and these may be unforeseeable under certain circumstances and may even exceed the incoming payments.

*Swap Transactions* – BAM may engage in credit default swaps, total return swaps on individual securities and indices and other swap transactions for BAM clients. Swap contracts are not traded on exchanges and are not subject to the same type of government regulation as exchange markets. As a result, many of the protections afforded to participants on organized exchanges and in a regulated environment are not available in connection with these transactions. The swap markets are “principals’ markets”, in which performance with respect to a swap contract is the responsibility only of the counterparty to the contract, and not of any exchange or clearinghouse. As a result, client accounts are subject to the risk of the inability or refusal to perform with respect to swap contracts on the part of the counterparties with which BAM trades. There are no limitations on daily price movements in swap transactions. Speculative position limits are not applicable to swap transactions, although swap counterparties may limit the size or duration of positions available to BAM as a consequence of credit considerations. Participants in the swap markets are not required to make continuous markets in the swap contracts they trade. Participants could refuse to quote prices for swap contracts or quote prices with an unusually wide spread

between the price at which they are prepared to buy and the price at which they are prepared to sell. If an event of default or an additional termination event were to occur with respect to a client's account under an ISDA master agreement governing client accounts' swap transactions, the relevant swap counterparty and other swap counterparties may terminate all transactions with client accounts at significant losses to client accounts.

Trading in swaps and other derivative instruments can permit a high degree of synthetic leverage. Accordingly, the leverage offered by trading in derivative instruments may magnify the gains and losses experienced by the client accounts and could cause the accounts' net asset value to be subject to wider fluctuations than would be the case if BAM did not use derivative instruments that provide leverage. Thus, like other leveraged investments, a derivatives trade may result in losses in excess of the amount invested. Any increase in the amount of leverage applied in trading will increase the risk of loss by the amount of additional leverage applied.

*Over-the-Counter Trading* – Derivative instruments that may be purchased or sold by BAM may include instruments not traded on an exchange. Over-the-counter ("OTC") forwards and options, unlike exchange-traded forwards and options, are two-party contracts with price and other terms negotiated by the buyer and seller. The risk of nonperformance by the obligor on such an instrument may be greater and the ease with which BAM can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded instrument. In addition, significant disparities may exist between the bid and asked prices for derivative instruments that are not traded on an exchange. Derivative instruments not traded on exchanges are also not subject to the same type of government regulation and supervision as exchange-traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions. For example, the performance guarantee of an exchange clearinghouse may not be available in connection with over-the-counter transactions. Clients may therefore be exposed to greater risk of loss through default than if BAM confined its trading to regulated exchanges.

*Futures Trading Is Speculative* – A principal risk in trading futures is the traditional volatility and rapid fluctuation in the market prices. The profitability of such futures trading will depend primarily on the prediction of fluctuations in market prices. Price movements for futures are influenced by, among other things, government trade, fiscal, monetary and exchange control programs and policies; weather and climate conditions; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the psychological emotions of the market-place. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in the financial instrument and currency markets, and such intervention (as well as other factors) may cause these markets to move rapidly.

*Futures Trading Is Highly Leveraged* – The low margin deposits normally required in futures trading permit an extremely high degree of leverage. Accordingly, a relatively small price movement in a futures contract may result in immediate and substantial loss or gain to the investors. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the futures contract would, if the contract were then closed out, result in



a total loss of the margin deposit before any deduction for brokerage commissions. Thus, like other leveraged investments, any futures trade may result in losses in excess of the amount invested. Any increase in the amount of leverage applied in trading will increase the risk of loss by the amount of additional leverage applied.

*Tracking Risk* – When used for hedging purposes, an imperfect or variable degree of correlation between price movements of a derivative instrument and the underlying investment sought to be hedged may prevent the client accounts from achieving the intended hedging effect or expose the client accounts to the risk of loss.

*Changes to Derivatives Regulation* – Through its comprehensive new regulatory regime for derivatives, the US Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) has begun to impose mandatory clearing, exchange-trading and margin requirements on many derivatives transactions (including formerly unregulated over-the-counter derivatives). The Dodd-Frank Act also created new categories of regulated market participants, such as “swap dealers,” “security-based swap dealers,” “major swap participants,” and “major security-based swap participants” who will be subject to significant new capital, registration, recordkeeping, reporting, disclosure, business conduct and other regulatory requirements. As BAM continues to develop its business, it may be subject to these additional regulatory requirements.

*Counterparty and Bankruptcy Risk* – Although BAM will attempt to limit its transactions to counterparties that are established, well-capitalized and creditworthy, there is a risk that the counterparty will be unable to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes, which could subject BAM and its products to substantial losses.

### ***Market Neutral (DyMACS)***

*Options Risk* – The successful use of options depends on the ability of BAM to forecast interest rate and market movements correctly. In addition, when it purchases an option, client accounts run the risk that they will lose their entire investment in the option in a relatively short period of time, unless a client account exercises the option or enters into a closing transaction with respect to the option during the life of the option. If the price of the underlying security does not rise (in the case of a call) or fall (in the case of a put) to an extent sufficient to cover the option premium and transaction costs, a client account will lose part or all of its investment in the option. There is no assurance that a client account will be able to avoid losses by effecting closing transactions at any particular time or at any acceptable price. In the event of the bankruptcy of a broker through which a client accounts engages in transactions in options, a client account could experience delays and/or losses in liquidating open positions purchased or sold through the broker.

*Swap Transactions* – BAM may engage in credit default swaps, total return swaps on individual securities and indices and other swap transactions for BAM clients. Swap contracts are not traded on exchanges and are not subject to the same type of government regulation as exchange markets. As a result, many of the protections afforded to participants on organized exchanges and in a regulated environment are not available in connection with these transactions. The swap markets are “principals’ markets”, in which performance with respect to a swap contract is the responsibility only of the counterparty to the contract, and not of any exchange or clearinghouse.

As a result, client accounts are subject to the risk of the inability or refusal to perform with respect to swap contracts on the part of the counterparties with which BAM trades. There are no limitations on daily price movements in swap transactions. Speculative position limits are not applicable to swap transactions, although swap counterparties may limit the size or duration of positions available to BAM as a consequence of credit considerations. Participants in the swap markets are not required to make continuous markets in the swap contracts they trade. Participants could refuse to quote prices for swap contracts or quote prices with an unusually wide spread between the price at which they are prepared to buy and the price at which they are prepared to sell. If an event of default or an additional termination event were to occur with respect to a client's account under an ISDA master agreement governing client accounts' swap transactions, the relevant swap counterparty and other swap counterparties may terminate all transactions with client accounts at significant losses to client accounts.

Trading in swaps and other derivative instruments can permit a high degree of synthetic leverage. Accordingly, the leverage offered by trading in derivative instruments may magnify the gains and losses experienced by the client accounts and could cause the accounts' net asset value to be subject to wider fluctuations than would be the case if BAM did not use derivative instruments that provide leverage. Thus, like other leveraged investments, a derivatives trade may result in losses in excess of the amount invested. Any increase in the amount of leverage applied in trading will increase the risk of loss by the amount of additional leverage applied.

*Fixed Income Security Risk Generally* – Fixed income is generally considered to be a more conservative investment than stocks, but bonds and other fixed income investments still carry a variety of risks:

- *Interest rate risk* – Investors don't have to buy bonds directly from the issuer and hold them until maturity. Instead, bonds can be bought from and sold to other investors on what's called the secondary market. Bond prices on the secondary market can be higher or lower than the face value of the bond depending on the economic environment and market conditions—both of which can be affected significantly by a change in interest rates. If interest rates rise, bond prices usually decline. That's because new bonds are likely to be issued with higher yields as interest rates increase, making the old or outstanding bonds less attractive. If interest rates decline, however, bond prices usually increase, which means an investor can sometimes sell a bond for more than face value, since other investors are willing to pay a premium for a bond with a higher interest payment, also known as a coupon.
- *Credit risk* – Bonds carry the risk of default, which means that the issuer may be unable or unwilling to make further income and/or principal payments. In addition, bonds carry the risk of being downgraded by the rating agencies which could have implications on price. Most individual bonds are rated by a credit agency such as Moody's or Standard & Poor's (S&P) to help describe the creditworthiness of the issuer or individual bond issue. Bonds are typically classified as investment grade quality (from medium to the highest credit quality) or non-investment grade (commonly referred to as high yield bonds).

- *Inflation risk* – Inflation risk is the risk is that inflation will rise, thereby lowering the purchasing power of money. When a bond matures and the principal is returned, that amount may be lower in terms of real value to correspond with the amount of inflation.

### Item 9 | Disciplinary Information

BAM and its management have no reportable disciplinary events to disclose.

### Item 10 | Other Financial Industry Activities and Affiliations

Neither BAM, nor any of its management personnel are registered, or have an application pending to register, as a broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of such.

By virtue of current common control under Joh. Berenberg, BAM is affiliated with several types of entities including, but not limited to:

- a US registered broker-dealer;
- a foreign broker-dealer;
- a foreign banking institution;
- a foreign investment adviser.

Many of these affiliations are not material to our advisory business or our clients. Significant affiliations are identified in Part 1 of BAM's Form ADV. As discussed in Part 1 of BAM's Form ADV, the foreign entities engaged in other financial industry activities are not regulated in the United States.

BAM has a small number of employees in its offices in New York. It provides substantially all of its advisory services using individuals employed by Joh. Berenberg through an arrangement pursuant to which such individuals are deemed to be associated persons of BAM under the Advisers Act and are subject to the supervision of BAM. These employees will also work for European clients of the asset management division of Joh. Berenberg.

The following are the Joh. Berenberg employees involved in generating investment advice for and are supervised by BAM:

- |                      |                    |
|----------------------|--------------------|
| • Tindaro Siragusano | • Jasper Dux       |
| • Jochen Runze       | • Boris Jurczyk    |
| • Alessandro Cocco   | • Christoph Sporer |
| • Maria Heiden       | • Felix Stern      |
| • Sebastian Hermanns | • Thimo Koch       |
| • Bernadette Toth    | • Matthias Krüger  |
| • Karoline Pointner  | • Senad Odzakovic  |
| • Martin Weidemann   | • Sönke Stien      |
| • Holger Bang        | • Robert Reichle   |

Due to BAM and its affiliates having a number of different clients, conflicts of interest may arise that BAM seeks to address through a number of compliance procedures, including trading procedures (see the discussion of “Brokerage Practices” in Item 12 below for information on seeking best execution and order aggregation).

The same investment decision may be made for more than one client of BAM or a client of a BAM affiliate. BAM is committed to allocating investment opportunities among clients in a manner that, over time, is on a fair and equitable basis and has established policies and procedures to guide the determination of such allocations. To the extent an investment opportunity is appropriate for multiple clients but the opportunity is limited, BAM’s allocation procedures generally seek to first allocate the opportunity *pro rata* by the size of the client order or account. However, many other factors may influence order allocation decisions on any given trade, including, without limitation:

- the relative actual or potential exposure of any particular client account to the type of investment opportunity in terms of its existing investment portfolio;
- the investment objective of such client account;
- cash availability, suitability, client-imposed investment restrictions or parameters;
- tax reasons;
- regulatory reasons;
- supply or demand for an investment opportunity at a given price level; and
- such other criteria as are reasonably related to a reasonable allocation of a particular investment opportunity to one or more clients – in all cases subject to the seeking of a fair and equitable allocation over time.

BAM has established policies and procedures to guide the determination of such allocations.

BAM also seeks to address conflicts of interest by providing in its Code of Ethics that all supervised persons must to act in the best interests of each BAM client when evaluating such conflicts. BAM also provides training to supervised persons with respect to conflicts of interest and how such conflicts are resolved under our policies and procedures (please see Item 11 below for information on BAM’s Code of Ethics).

BAM does not recommend or select other investment advisers for its clients.

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

BAM has adopted a written Code of Ethics in accordance with Rule 204A-1 under the Advisers Act to seek to ensure that BAM fulfills its role as a fiduciary to its clients. The Code of Ethics is designed to address and avoid potential conflicts of interest and is applicable to all employees, including those located at Joh. Berenberg. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised employees of BAM

must acknowledge the terms of the Code of Ethics upon commencement of employment with BAM and annually thereafter.

Under the Code of Ethics, BAM's supervised persons are expected to, among other things:

- At all times place the interests of BAM's clients first
- Never take inappropriate advantage of their position at BAM
- Hold confidential any information relating to the identity of security holdings and financial circumstances of any client
- Fully disclose all material facts concerning any conflict that arise with clients and avoid the appearance of a conflict of interest
- Maintain independence in the investment decision-making process
- Conduct all personal securities transactions in a manner consistent with the Code of Ethics to avoid any actual or potential conflict of interest or any abuse of an employee's position of trust and responsibility
- Abide by all applicable federal securities laws

Generally, supervised persons of BAM must notify the BAM compliance department of, and receive prior written approval for, opening accounts or holding personal securities at financial institutions other than BAM with 30 days' notice. Supervised persons are either required to set up BAM to receive duplicate copies of statements for the accounts held at other financial institutions or to report them directly to BAM on no less than a quarterly basis.

BAM and its employees and their family members may invest in securities and other financial instruments for their own accounts; including investing in securities that BAM may invest in on behalf of clients. The Code of Ethics requires that BAM employees obtain written approval for certain securities transactions and certain types of outside business activities, including those transactions and activities BAM believes may give rise to a conflict interest. BAM's compliance department reviews BAM personnel's personal securities transactions and outside business activities to monitor compliance with the Code of Ethics.

A copy of BAM's Code of Ethics is available upon request by a client or prospective investor from the Chief Compliance Officer at (646) 445-5564 or [Elizabeth.Ryvkin@berenberg-am.com](mailto:Elizabeth.Ryvkin@berenberg-am.com).

At this time, BAM does not expect its clients to engage in affiliate transactions, including transactions with BAM or its related persons, trades in which a BAM related person acts as broker-dealer, or trades between BAM client accounts. BAM may, however, cause a client to sell securities from its portfolio to another client for between client portfolios, when the transaction is in the best interests of both clients. Any transactions between one client and another will be effected in a manner that is consistent with each client's Governing Documents.

BAM does not, as a matter of practice, intend to recommend to, or buy and sell for, clients any securities in which BAM or its affiliates maintain a material financial interest, unless determined to be in the client's best interest and permitted by the client's Governing Documents.

At this time BAM does not intend to maintain proprietary trading accounts. However, as our business grows and changes, BAM may create such an account. The rule-based nature of BAM's

investment practices, however, may recommend securities to BAM clients, or buy or sell securities for client accounts that a related person of BAM (or BAM itself in the future) may buy or sell for its own proprietary investment account. In these circumstances, BAM may have a conflict of interest in choosing to make the investment for a client or allowing the related person to invest. As noted above in Item 10, BAM strives to treat its clients fairly and has implemented policies and procedures and a review process seeking to ensure that investment opportunities are not allocated in favor of one group of clients or related persons of BAM.

## Item 12 | Brokerage Practices

BAM's primary consideration with regard to purchases and sales for its clients is obtaining the most favorable execution of the transactions needed to implement Joh. Berenberg's investment strategies. BAM will effect transactions with those brokers and dealers which it believes provide the most favorable prices and who are capable of providing efficient executions. The determinative factor is whether the transaction represents the best qualitative execution for the client account and not whether the lowest possible commission cost and price is obtained. BAM considers the full range of quality of the broker's service in selecting brokers to meet best execution obligations and may not pay the lowest commission rates or prices available. BAM believes the following are some factors that contribute to efficient execution, although BAM is not required to weigh any of these factors equally:

- size of the order,
- the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or broker commission, if any),
- difficulty of execution given the nature of the asset and/or prevailing market conditions,
- operational capabilities and facilities of the broker or dealer involved,
- the financial strength, integrity and stability of the broker,
- whether that broker or dealer has risked its own capital in positioning a block of securities or other assets,
- the quality, comprehensiveness and frequency of available research services considered to be of value, and
- the prior experience of the broker or dealer in effecting transactions of the type in which BAM will engage.

BAM may use "soft dollars" in its brokerage practices unless agreed otherwise with a client account. The term "soft dollars" refers to the receipt by BAM of products and services provided by brokers without any cash payment by BAM, based on the volume of revenues generated from brokerage commissions for transactions executed for BAM. BAM may in the ordinary course use "soft dollars" to obtain research products and services. Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), provides a "safe harbor" to investment managers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to investment managers in the performance of their investment decision-making responsibilities. BAM does not intend to use "soft dollars" to obtain services and products that would not be within the safe harbor afforded by Section 28(e) of the Exchange Act.



Consistent with Section 28(e) of the Exchange Act, research products or services obtained with soft dollars generated by one or more clients may be used by BAM to service one or more other clients, including clients that may not have paid for the benefits. BAM may not allocate soft dollar benefits to clients in proportion to the soft dollar credits each client generates. BAM does not seek to allocate soft dollar benefits to clients in proportion to the soft dollar credits each client generates.

Where a product or service obtained with soft dollars provides both research and non-research assistance, BAM will make a good faith allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist because the allocation of beneficial services may benefit BAM in addition to our clients. BAM currently has no formal arrangements with broker-dealers with respect to soft dollars, but may receive unsolicited research from broker-dealers that execute client trades.

Our employees may receive or give certain gifts from or to broker-dealers or other persons with whom we do business. These may include items such as tickets to sporting events, meals and other entertainment, as well as attendance at educational or information conferences, transportation, logo items and other smaller value gifts. The receipt of such gifts might be viewed as a conflict of interest for us in selecting broker-dealers and other service providers. BAM has policies in place to prohibit employees from accepting high value gifts or excessively lavish entertainment from any person or entity that does or seeks to do business with BAM or its clients. Employees are required to pre-approve and/or report gifts exceeding certain *de minimis* thresholds.

BAM does not consider, in selecting or recommending broker-dealers, whether BAM or a related person receives client referrals from a broker-dealer or third party.

BAM does not request, require or recommend that a client direct brokerage transactions to a specific broker-dealer. Clients may designate the use of a specific broker-dealer. If a client does so, BAM is not responsible for achieving best execution, regardless of whether the client specifies that such direction is subject to achieving best execution. Clients who designate the use of a particular broker-dealer should understand that such a designation may result in certain costs or disadvantages to the client, such as higher commissions, that may not be present if BAM sought different broker-dealers for trade executions. BAM cannot begin to execute client securities transactions with a specific broker-dealer until all non-directed orders are complete.

In the event that purchase and sell orders of the same class of security are occurring at the same time for multiple accounts, the orders may be combined for the purpose of seeking best execution for each participant. An order that is partially filled, will, as a general matter, be allocated *pro rata* in proportion to each participant's original order or account size. Notwithstanding, additional factors may cause deviations from BAM's general trade allocation methodology. In those circumstances, the matter will be documented and reviewed by a BAM committee.

### **Item 13 | Review of Accounts**

BAM provides investment advisory services to different types of accounts (as discussed in Item 7 above) and different accounts and strategies are reviewed differently. BAM has a dedicated team

that regularly reviews accounts to ensure compliance with investment limitations and reasonable application of BAM trading and brokerage policies (as discussed in Item 12 above). The Compliance group conducts a review of client accounts for conflicts and allocation testing. This review, among other investment related issues, is presented to an internal committee on a regular basis.

BAM works closely with each client to establish a system to monitor performance of the client's accounts, including setting up triggers for review of a particular client account. BAM provides clients with a written holdings report at least quarterly, and offers a wide variety of additional reporting options as requested by the client.

When managing client accounts, BAM uses fund management software provided and regularly updated by third party providers specializing in account monitoring. All trades for which BAM is responsible are mirrored in the software to reflect the current holdings of each client account at the respective custodian. BAM includes any investment restrictions agreed upon with a client in the software, which regularly reconciles against those restrictions the mirrored trades and the actual trades settled by the custodian in the respective custody account. The software seeks to ensure that the respective BAM portfolio manager will only be able to execute trades that are within the set investment restrictions for a particular account. BAM may also use the management software or similar software to calculate risk related figures and to conduct periodic "stress tests" for the monitoring of risks incurred by each of BAM's respective investment strategies.

As discussed in Item 15 below, clients open accounts with qualified custodians of their choice. The custodian generally sends an account statement, at least quarterly, identifying the amount of funds and each security in the account of funds and each security or instrument in the account at the end of the period and setting forth all transactions in the account during the period.

The Portfolio Management group meets as needed to review the underlying models of each strategy. This review is an open dialogue to present potential adjustments to the models or to present new models or strategies. As discussed above, BAM's investment process continually evolves and changes over time, and BAM expects it to continue to do so.

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

BAM does not permit its employees to accept any form of compensation, including cash, sales awards or other prizes, from non-clients for providing advisory services to the BAM clients. At this time, BAM does not expect to receive compensation from referring clients to other service providers; however we retain the ability to do so in the future.

BAM may enter into arrangements with, and compensate, solicitors for client referrals. These solicitation arrangements will be fully disclosed to affected clients and will generally be consistent with the requirements of Rule 206(4)-3 under the Advisers Act. The terms of such arrangements will vary, but generally will call for BAM to pay the solicitor a fee equal to a percentage of assets under management, management fees, performance-based compensation, or a combination of asset size or fees borne by each client or investor introduced to BAM by the solicitor.



### **Item 15 | Custody**

BAM is expected to have custody of client assets and will maintain client assets with an unrelated qualified custodian (generally of the client's choice). Clients will receive from the custodian account reports at least quarterly and clients should carefully review those statements. While BAM will provide periodic reports to the client, these reports should be carefully compared to the information provided by the custodian to ensure that all account transactions, holdings and values are correct and current.

### **Item 16 | Investment Discretion**

Clients may engage BAM to provide discretionary advisory services. Clients give BAM discretionary authority by executing an IMA with BAM and may, in certain circumstances, limit or amend BAM's authority by giving BAM written instructions.

### **Item 17 | Voting Client Securities**

At this time, BAM will not vote proxies on behalf of a client's account. Generally, our investment universe does not include securities that have voting rights. In the event that a proxy is issued by a security in your account, we will forward all proxy solicitation and related materials, including annual and interim reports and any other issuer mailings that are received to you to vote. Clients may contact our Chief Compliance Officer at (646) 445-5564 or [Elizabeth.Ryvkin@berenberg-am.com](mailto:Elizabeth.Ryvkin@berenberg-am.com) with questions about any particular proxy solicitation they may have received.

### **Item 18 | Financial Information**

Not applicable.