

Knightsbridge Asset Management, LLC

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Form ADV, Part 2A Appendix 1 Wrap Fee Program Brochure

January 30, 2015

This wrap fee program brochure provides information about the qualifications and business practices of Knightsbridge Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at 949.644.4444 or knightsbridge@knightsb.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Any reference to or use of the terms “registered investment adviser” or “registered,” does not imply that Knightsbridge Asset Management, LLC or any person associated with Knightsbridge Asset Management, LLC has achieved a certain level of skill or training.

Additional information about Knightsbridge Asset Management, LLC is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 - MATERIAL CHANGES

Revised January 30, 2015

The purpose of this page is to inform you of any material changes since the previous version of this wrap fee program brochure. If you are receiving this wrap fee program brochure for the first time this section may not be relevant to you.

Knightsbridge Asset Management, LLC (“Knightsbridge”) reviews and updates the wrap program brochure at least annually to confirm that it remains current. No material changes were made since the last annual update to the wrap program brochure dated January 23, 2014.

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ITEM 4 - SERVICES, FEES AND COMPENSATION

Knightsbridge Asset Management, LLC (“Knightsbridge,” “we,” “our,” or “us”) is an independent, 100% employee owned limited liability company headquartered in Newport Beach, California. Knightsbridge is registered as an investment adviser with the U.S. Securities and Exchange Commission.

The inception date of the track record for Knightsbridge’s flagship product, Opportunistic Value, was January 1, 1992, at which time we operated as a division of Canterbury Capital Services, Inc. On July 1, 1998, Knightsbridge Asset Management, LLC was established as an independent employee-owned entity and 100% of our client base transitioned to this new firm. John Prichard, CFA currently owns the majority of the firm.

Knightsbridge Wrap Fee Program

Knightsbridge offers discretionary separate account management to retail clients through a wrap fee program, as described in this brochure. Knightsbridge is both the sponsor and currently the only portfolio manager for our wrap fee program.

The investment approach of our Opportunistic Value Equity strategy was conceived and developed as an attempt to increase the probabilities of outperformance and capital preservation by emphasizing market inefficiencies and investing opportunistically across a broad spectrum of market capitalization. This approach is the core of our strategies, which are then implemented for client accounts based on the objectives of the specific strategy and the guidelines and restrictions imposed by the client. We describe our investment philosophy further under *Methods of Analysis, Investment Strategies and Risk of Loss*.

For our equity strategies, Knightsbridge’s recommendations for new investments will primarily include exchange-traded securities such as common stocks and may also include American Depository Receipts listed on U.S. exchanges, foreign securities listed on foreign exchanges (ordinaries), Real Estate Investment Trusts (REITs) and interests in exchange-traded limited partnerships. Knightsbridge does not generally invest in IPOs or other limited offerings; however, there may be situations where we participate in shares issued by companies we own or companies that are under consideration. Knightsbridge’s balanced strategy, in addition to the equity securities described above, will include fixed income securities such as corporate, government, and municipal bonds, floating rate notes, mutual funds, and ETFs. All accounts typically also hold positions in cash or cash equivalents.

In exercising our discretion, Knightsbridge may invest client accounts across the full range of market capitalization in U.S. and foreign securities, and may be invested with limited diversification among a small number of sectors and/or industries. Accounts are likely to be invested at significant variance to the overall equity markets as well as compared to any particular benchmark. Knightsbridge is not constrained in our allocation among stocks, bonds and cash in either equity or balanced accounts, and we will not be held responsible for rebalancing balanced accounts to any specific target allocation. Actual allocation among stocks, bonds and cash will vary over time in accounts.

Fees for the Program

Clients participating in our wrap fee program pay a single bundled fee to Knightsbridge for our advisory services and commissions on transactions instead of paying these fees separately. The wrap fee each client will pay depends on the size of the client's account and the investment strategy utilized for the account. Knightsbridge offers equity and balanced strategies to clients of our wrap fee program based on the following standard schedule.

All Inclusive Wrap Fee		
<u>Portfolio Value</u>	<u>Equity Accounts</u>	<u>Balanced Accounts</u>
\$250,000 - \$500,000	2.50%	2.00%
\$500,001 - \$1,000,000	2.00%	1.75%
\$1,000,001 - \$3,000,000	1.75%	1.50%
Over \$3,000,000	1.60%	1.40%

Knightsbridge may combine related client accounts for purposes of determining fee break points. In all cases, Knightsbridge reserves the right to negotiate fees with clients, and we may reduce or waive fees for employees of the firm and their family members or other parties at our discretion. Knightsbridge receives all fees charged under the program, unless otherwise specifically indicated.

Additional fees charged to clients of the Knightsbridge wrap fee program may include wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions including possible SEC transaction fees, postage, handling or other miscellaneous transaction related costs. Clients in the program ultimately bear these costs in addition to the wrap fees charged directly to the client.

Participating in the wrap fee program may cost a client more or less than purchasing investment management and trading services separately. Factors that may affect the cost of a wrap fee program relative to other compensation arrangements include: the advisory fees the client would pay for Knightsbridge's investment management services if the fees were un-bundled; the transaction and execution fees the custodian would charge to the client under a non-wrap fee arrangement, and the frequency and volume of trading activity in the client's account. Under the terms of this wrap fee program, Knightsbridge will pay trading and execution costs imposed by the custodian for transactions in client accounts. This arrangement may present a potential conflict of interest for Knightsbridge, as Knightsbridge has a financial disincentive to engage in active trading. However, transaction fees are not a material consideration for Knightsbridge in deciding whether to engage in any trading or the level of trading activity through the custodian. We make investment decisions for clients in wrap fee programs the same way we manage accounts where the client pays for trading and execution costs separately.

Knightsbridge receives compensation when clients participate in this wrap fee program. This compensation may be more than what Knightsbridge would receive if clients participated in other programs at Knightsbridge or paid separately for investment advice, brokerage, and other services, and Knightsbridge may therefore have a financial incentive to recommend the wrap fee program over other programs or services.

Billing Method

All separate accounts controlled by a single client under the wrap fee program will be taken together as if one account for purposes of determining fees. Once the client reaches a breakpoint, Knightsbridge bills all assets under management in the portfolio at the lower rate.

Fees will be charged quarterly in arrears. Fees are calculated quarterly based on the portfolio value of the client's assets under management, including accrued interest, at the close of business on the last day of the prior calendar quarter. All assets in any form in the client's account are considered in determining the portfolio value, including cash balances, money market assets, equity and debt positions.

Knightsbridge does not charge fees for the initial quarter after inception of the account if we manage the account for less than a full calendar quarter. Fees are due no later than 30 days after the calendar quarter.

With client authorization, Knightsbridge will instruct the custodian to automatically withdraw our advisory fee from the client's account on a quarterly basis. The quarterly reports we send to clients will show the amount of the fee and the fee calculation. Knightsbridge may accommodate client requests to be billed directly.

All clients will receive brokerage statements from the custodian no less frequently than quarterly. The custodian statement will show the deduction of the advisory fee. It is the client's responsibility to verify the accuracy of the fee calculation. The custodian will not determine whether the fee is properly calculated.

Termination of Agreements

Either party may terminate the agreement upon ten (10) days written notice to the other party; however, the client can revoke our discretionary authority over the account at any time. The client will be responsible for paying fees for services through the effective date of termination. Clients may terminate the agreement by writing Knightsbridge at our office. Any notice shall be deemed effectively given upon actual receipt acknowledgement.

Upon notice of termination, Knightsbridge will calculate the final fees due for services provided through the date of termination. Any advisory fees that we have earned for the services provided will be due upon termination. We will prorate the fee due based on the effective date of termination.

ITEM 5 - ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

Clients in Knightsbridge's wrap fee program include retail clients such as individuals, high net worth individuals, trusts and estates, and individual participants of retirement plans. Knightsbridge also offers advisory services to institutional clients and unrelated investment companies (mutual funds).

Account Requirements

Generally, Knightsbridge requires a minimum account size of \$250,000 for accounts in our wrap fee program. We may combine family accounts to meet the account size minimum. Knightsbridge may reduce or waive the account minimum requirements at our discretion.

ITEM 6 - PORTFOLIO MANAGER SELECTION AND EVALUATION

Portfolio Management and Performance Calculation

Knightsbridge is the sponsor and currently the only portfolio manager of our wrap fee program.

Knightsbridge strives to make full disclosure and fair representation of investment performance. We use the Global Investment Performance Standards (“GIPS”) to calculate and present our performance. Knightsbridge has received a firm-wide verification from an independent accounting firm, Ashland Partners & Company LLP. This verification does not specifically verify the performance of wrap accounts; however, our wrap accounts are included within our firm, and the verification reviews whether the firm has complied with all the composite construction requirements of the GIPS standards and that our processes and procedures are designed to properly calculate and present performance results in compliance with the GIPS standards.

Advisory Business

Advisory Services Offered

Knightsbridge offers investment advisory services directly to retail and institutional clients in individually managed accounts, through sub-advisory and wrap-fee arrangements, and to unrelated registered investment companies. This wrap fee program brochure describes the services we provide to clients of the Knightsbridge wrap fee program and our investment and trading policies as they relate to wrap fee program clients. The other services Knightsbridge offers are described in more detail in our Form ADV Part 2A brochure, which is available upon request.

Limitations on Investments

Knightsbridge intends to carefully manage the firm’s growth in order to preserve the effectiveness of our research and portfolio management approach. This limitation will include constraining assets under management in order to preserve the ability to purchase small and mid-cap stocks while managing a concentrated portfolio of 15 to 25 stocks. We believe that the capacity for our Opportunistic Value Equity strategy is \$2-\$4 billion.

Knightsbridge may also limit advice based on certain client-imposed restrictions. For more information about the restrictions clients can put on their accounts, see ***Tailored Services and Client Imposed Restrictions*** in this Item below.

Tailored Services and Client Imposed Restrictions

Knightsbridge manages client accounts based on the investment strategy the client chooses, as discussed below under ***Methods of Analysis, Investment Strategies, and Risk of Loss***.

Clients may request restrictions on their account, such as when a client needs to keep a minimum level of cash in the account or does not want Knightsbridge to buy or sell specific securities or security types in the account. Consideration will be given to account diversification and/or concentrations as expressed by the client. Any client restrictions concerning the use of equity analogs, e.g. warrants, options, “percs,” convertible debt securities, convertible equity securities, “scores” or “primes” will be dealt with on an account by account basis. It is the client’s responsibility to keep Knightsbridge informed of any changes to their investment objectives or restrictions. Knightsbridge reserves the right to not accept and/or terminate management of a client’s account if we feel that the client-imposed restrictions would limit or prevent us from meeting or maintaining the client’s investment strategy.

Other Wrap Fee Programs

In addition to sponsoring our own wrap fee program, Knightsbridge manages accounts in wrap fee programs sponsored by other financial services firms. The company sponsoring the program pays Knightsbridge a portion of the wrap fee for our investment management services as portfolio manager.

Knightsbridge chooses investments for clients in wrap fee programs the same way we make investment decisions for other client accounts. However, our trading practices, described below under ***Brokerage Practices***, affect wrap fee clients.

Performance-Based Fees and Side-by-Side Management

Knightsbridge manages client accounts in our wrap fee program based on the investment strategies described below in ***Methods of Analysis, Investment Strategies and Risk of Loss***. Knightsbridge also manages other accounts for clients under different fee arrangements using the same investment strategies that we utilize for wrap fee accounts. Some of these accounts pay performance-based fees for Knightsbridge’s management.

These arrangements may create a conflict of interest for Knightsbridge as we may have incentives to:

1. Allocate investment opportunities that we believe might be the most profitable to accounts charged performance-based or higher asset-based fees; and/or
2. Make investments with more risk or that are more speculative than those that we might recommend under a different fee arrangement.

To address these types of conflicts, Knightsbridge has adopted policies and procedures reasonably designed to allocate investment opportunities between accounts on a fair and equitable basis over time and prevent non-suitable investments in client accounts.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies

Our investment philosophy utilized in our flagship product, Opportunistic Value Equity, was originally developed by Alan T. Beimfohr in the 1980's for brokerage clients at Kidder Peabody & Co. Our current investment discipline was fully developed and our track record was fully discretionary by January 1, 1992, which became the inception date of our track record. John Prichard, CFA joined Alan Beimfohr to participate in the research and portfolio management process in 1997. Our investment approach was conceived and developed as an attempt to increase the probabilities of outperformance and capital preservation by emphasizing market inefficiencies and investing opportunistically across a broad spectrum of market capitalization.

A key component to our philosophy is using security specific 'investment anomalies' that have a proven historical probability of outperformance. Most investment anomalies we use can be characterized by structural occurrence, forced turnover of the stock's shareholder base, lack of available information and/or negative sentiment, infrequent occurrence, unusual and/or complicated accounting, and/or low levels of Wall Street analyst following. Knightsbridge's investment team conducts internal, statistical studies and references academic research in determining investment anomalies to include in our securities research efforts.

Our approach is all-cap in an opportunistic sense, as we invest wherever we identify investment anomalies and undervaluation. Our style is value-oriented in an absolute sense, as we endeavor to invest in stocks valued meaningfully below both current peer group levels and historical company-specific norms. In most situations, we focus on cash flow based valuation. As contrarians, we are willing to invest in stocks that are controversial and/or that are significantly out of favor among investors and/or analysts. Our resulting portfolio is a concentrated portfolio of 15 to 25 of what we consider to be our best ideas.

Methods of Analysis for Selecting Securities

Our universe of stocks is determined by the presence of one or more of our identified categories of investment anomalies. The common denominator among stocks in our universe is this presence of an investment anomaly, meaning stocks we consider have all experienced some situation or event which, we believe, increases the probability of outperformance. We typically research 20 to 30 stocks within this universe at any given time.

We screen for the various anomalies used in our process utilizing a variety of different sources, including subscription publications and databases. Through these screening tools, we develop a watch list of candidates for potential inclusion in our portfolio. We then screen for valuation, favoring companies that are trading below historical norms for either the company or the peer group on a price to cash flow, revenue, earnings, and/or book basis. During this process, we also examine the capital structure of each company under consideration. Ideal candidates will have adequate cash flow to not only service debt, but pay down debt over time. We project company cash flows, revenues, earnings and book, arriving at a price range where we estimate the stock will trade 3-4 years from time of purchase. We are only interested in selecting stocks for the portfolio when we believe that they have the potential of delivering a

return of 80-100% over a 3-4 year period. We often delay purchase until we can understand or conceive the form of resolution of any issues making the company controversial or out of favor. Entry and exit points into and out of the market itself are made with consideration given to market sentiment indicators in an attempt to minimize risk and enhance return.

In evaluating fixed income securities for balanced accounts, Knightsbridge considers the financial strength of the issuer, call provisions, liquidity factors, credit derivative spreads, and bond insurance in selecting bonds for purchase. Knightsbridge relies on credit rating agencies such as Standard & Poor's and Moody's to help determine the financial strength of issuing creditors. We also use prospectuses, other relevant information from bond underwriters, and/or sources of market data to help in analysis and selection of fixed income securities. Knightsbridge may solicit bids from several underwriters (i.e. brokerages) in an effort to obtain the most attractive price/yield on purchase.

Investment Strategies for Managing Portfolios

Knightsbridge manages client accounts by investing in a very limited number of securities; typically client portfolios hold 15 to 25 securities that we consider to be our best ideas. Clients should consider the risk that a very concentrated portfolio with limited diversification increases the possibility of substantial losses and depreciation of the portfolio. If the investments within the portfolio do not perform as expected, the security's increased weight in the account will have a larger negative effect on a concentrated portfolio than in a broadly diversified portfolio.

In our core strategies, Knightsbridge uses a long-only investment approach, consistent with our investment strategy and expectations for the securities we purchase. We may use cash as a defensive tool, and at times cash or cash equivalents may be a significant portion of the client's account; and accounts can hold up to 40% or more cash at various times. While high cash levels can help protect a client's assets during periods of market decline, there is a risk that our timing in moving to cash is unfavorable either upon exit or reentry into the market and we miss positive market moves. In addition, we generally seek to maintain some cash in client portfolios at all times so that we can invest in securities opportunistically as we identify purchase candidates without having to sell other portfolio holdings. We typically consider an account fully invested with cash levels between 5-15%. Finally, we may put cash to work in new accounts at a gradual pace and often will not fully invest accounts at inception.

Knightsbridge may recommend that qualified clients participate in securities lending programs offered by their custodians.

Knightsbridge has the option, when we believe it is desirable to do so, to trade outside of the normal stock market hours. Trading before or after these hours is risky due to the significantly reduced number of stock market participants, which affects prices, volatility and liquidity, as well as the ease with which orders are executed. When we enter stock trades after hours, there are no guarantees that we will obtain the price we want or that the order will fill at all.

Investing Involves Risks

Prior to entering into an agreement with Knightsbridge, the client should carefully consider that:

1. Investing in securities involves risk of loss which clients should be prepared to bear;
2. Securities markets experience varying degrees of volatility;
3. Over time the client's assets may fluctuate and at any time be worth more or less than the amount invested; and
4. Clients should only commit assets that they feel are currently unneeded and available to Knightsbridge for investment on a long-term basis.

Specific Security Risks

Equity Securities

The prices of stocks and the income they generate (such as dividends) fluctuate based on, among other things, events specific to the company that issued the shares, conditions affecting the general economy and overall market changes, changes or weakness in the business sector in which the company does business, and other factors.

There may be little trading in the secondary market for particular equity securities, which may adversely affect the ability to value accurately or dispose of such equity securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of equity securities.

Small Capitalization Equity Securities

Investing in smaller companies may pose additional risks as it is often more difficult to value or dispose of small company stocks, more difficult to obtain information about smaller companies, and the prices of their stocks may be more volatile than stocks of larger, more established companies. Clients should have a long-term perspective and, for example, be able to tolerate potentially sharp declines in value.

Securities Lending

Securities lending involves the risk that the borrower may fail to return the lender's securities, or fail to do so in a timely manner. Securities lending activities are subject to interest rate risks and credit risks.

American Depositary Receipts (ADRs)

An ADR is a stock that trades on American markets but represents a specified number of shares in a foreign corporation. Banks and brokerage firms often issue/sponsor ADRs. ADRs are subject to risks of investing in foreign securities, including, but not limited to, less complete financial information available about foreign issuers, less market liquidity, more market volatility, and political instability. In addition, currency exchange-rate fluctuations affect the U.S. dollar-value of foreign holdings. Some ADRs and ordinary shares of foreign securities pay dividends, and many foreign countries impose dividend withholding taxes. Depending on a custodian's ability to reclaim any withheld foreign taxes on dividends, taxable accounts may be able to recoup a portion of these taxes by use of the foreign tax credit. However, tax-exempt accounts, to the extent they pay any foreign withholding taxes, may not be able to utilize the foreign tax credit. Therefore, investors may be unable to recover any foreign taxes withheld on dividends of foreign securities or ADRs.

Debt Securities (Bonds)

The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risk.

Certain additional risk factors relating to debt securities include, but are not limited to:

Reinvestment Risk

When interest rates are declining, investors have to reinvest their interest income and any return of principal, whether scheduled or unscheduled, at lower prevailing rates.

Inflation Risk

Inflation causes tomorrow's dollar to be worth less than today's; in other words, it reduces the purchasing power of a bond investor's future interest payments and principal, collectively known as "cash flows." Inflation also leads to higher interest rates, which in turn leads to lower bond prices.

Interest Rate and Market Risk

Debt securities may be sensitive to economic changes, political and corporate developments, and interest rate changes. Investors can also expect periods of economic change and uncertainty, which can result in increased volatility of market prices and yields of certain debt securities. For example, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices.

Call Risk

Debt securities may contain redemption or call provisions entitling their issuers to redeem them at a specified price on a date prior to maturity. If an issuer exercises these provisions in a lower interest rate market, the account would have to replace the security with a lower yielding security, resulting in decreased income to investors.

Usually, a bond is called at or close to par value. This subjects investors that paid a premium for their bond to a risk of lost principal. In reality, prices of callable bonds are unlikely to move much above the call price if lower interest rates make the bond likely to be called.

Credit Risk

If the issuer of a debt security defaults on its obligations to pay interest or principal or is the subject of bankruptcy proceedings, the account may incur losses or expenses in seeking recovery of amounts owed to it.

Liquidity and Valuation Risk

There may be little trading in the secondary market for particular debt securities, which may adversely affect the account's ability to value accurately or dispose of such debt securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of debt securities.

It may be possible to reduce the risks described above through diversification of the client's portfolio and by credit analysis of each issuer, as well as by monitoring broad economic trends and corporate and legislative developments, but there can be no assurance that we will be successful in doing so. Credit ratings for debt securities provided by rating agencies reflect an evaluation of the safety of principal and interest payments, not market value risk. The rating of an issuer is a rating agency's view of past and future potential developments related to the issuer and may not necessarily reflect actual outcomes. There can be a lag between the time of developments relating to an issuer and the time a rating is assigned and updated.

High-Yield Debt

Lower rated debt securities generally have higher rates of interest and involve greater risk of default or price changes due to changes in the issuer's creditworthiness than higher rated debt securities. The market prices of these securities may fluctuate more than higher quality securities and may decline significantly in periods of general economic difficulty.

There may be little trading in the secondary market for particular debt securities, which may make them more difficult to value or sell. The prices of, and the income generated by, most debt securities held by client accounts may be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities. For example, the prices of debt securities in client accounts generally will decline when interest rates rise and increase when interest rates fall. In addition, falling interest rates may cause an issuer to redeem, "call" or refinance a security before its stated maturity, which may result in the fund having to reinvest the proceeds in lower yielding securities. Debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default. Longer maturity debt securities generally have higher rates of interest and may be subject to greater price fluctuations than shorter maturity debt securities.

Obligations Backed by the "Full Faith and Credit" of the U.S. Government

U.S. government obligations include the following types of securities:

U.S. Treasury Securities

U.S. Treasury securities include direct obligations of the U.S. Treasury, such as Treasury bills, notes, and bonds. For these securities, the U.S. government unconditionally guarantees the payment of principal and interest, resulting in the highest possible credit quality. Fluctuations in interest rates subject U.S. Treasury securities to variations in market value. However, they are paid in full when held to maturity.

Federal Agency Securities

Certain U.S. government agencies and government-sponsored entities guarantee the timely payment of principal and interest with the backing of the full faith and credit of the U.S. government. Such agencies and entities include The Federal Financing Bank (FFB), the Government National Mortgage Association (Ginnie Mae), the Veterans Administration (VA), the Federal Housing Administration (FHA), the Export-Import Bank (Exim Bank), the Overseas Private Investment Corporation (OPIC), the Commodity Credit Corporation (CCC) and the Small Business Administration (SBA).

Other Federal Agency Obligations

Additional federal agency securities neither are direct obligations of, nor guaranteed by, the U.S. government. These obligations include securities issued by certain U.S. government agencies and government-sponsored entities. However, they generally involve some form of federal sponsorship: operating under a government charter; specific types of collateral backing; the issuer's right to borrow from the Treasury; and/or only the credit of the issuing government agency or entity. These agencies and entities include, but are not limited to, the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and the Tennessee Valley Authority and Federal Farm Credit Bank System.

Municipal Bonds

Municipal bonds are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Municipal bonds may pay a lower rate of return than most other types of bonds. However, because of a municipal bond's tax-favored status, investors should compare the relative after-tax return to the after-tax return of other bonds, depending on the investor's tax bracket. Investing in municipal bonds carries the same general risks as investing in bonds in general. Those risks include interest rate risk, reinvestment risk, inflation risk, market risk, call or redemption risk, credit risk, and liquidity and valuation risk. Investing in municipal bonds carries risk unique to these types of bonds, which may include:

Legislative Risk

Legislative risk includes the risk that a change in the tax code could affect the value of taxable or tax-exempt interest income.

Tax-Bracket Changes

Municipal bonds generate tax-free income, and therefore pay lower interest rates than taxable bonds. Investors who anticipate a significant drop in their marginal income-tax rate may benefit from the higher yield available from taxable bonds.

State-Specific Risk

Securities issued by California municipalities are more susceptible to factors adversely affecting issuers of California securities. For example, in the past, California voters have passed amendments to the state's constitution and other measures that limit the taxing and spending authority of California governmental entities, and future voter initiatives may adversely affect California municipal bonds.

Securities with Equity and Debt Characteristics

Some securities have a combination of equity and debt characteristics. These securities may at times behave more like equity than debt or vice versa. Some types of convertible bonds, preferred stocks or other preferred securities automatically convert into common stocks or other securities at a stated conversion ratio and some may be subject to redemption at the option of the issuer at a predetermined price. These securities, prior to conversion, may pay a fixed rate of interest or a dividend. Because convertible securities have both debt and equity characteristics, their values vary in response to many factors, including the values of the securities into which they are convertible, general market and economic conditions, and convertible market valuations, as well as changes in interest rates, credit spreads and the credit quality of the issuer.

These securities may include hybrid securities, which also have equity and debt characteristics. Such securities are normally at the bottom of an issuer's debt capital structure. As such, they may be more sensitive to economic changes than more senior debt securities. Investors may also view these securities as more equity-like by the market when the issuer or its parent company experience financial problems.

The prices and yields of nonconvertible preferred securities or preferred stocks generally move with changes in interest rates and the issuer's credit quality, similar to the factors affecting debt securities.

Cash and Cash Equivalents

Cash and cash equivalents are the most liquid of investments. Cash and cash equivalents are considered very low-risk investments meaning, there is little risk of losing the principal investment. Typically, low risk also means low return and the interest an investor can earn on this type of investment is low relative to other types of investing vehicles.

Exchange Traded Funds

Exchange traded funds (ETFs) are a type of investment company. An ETF represents a portfolio of securities or other assets generally designed to track a particular market index. The risks of owning ETFs generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more volatile. Management fees of ETFs may increase their costs relative to the costs of directly owning the underlying securities.

Master Limited Partnerships (MLPs)

MLPs are publicly traded partnerships that trade mainly on the New York Stock Exchange and/or the NASDAQ, the same as stocks. With a few exceptions, MLPs hold and operate assets related to the transportation and storage of energy (certain MLPs may have commodity risk).

In the 1980s, Congress allowed public trading of certain types of companies as partnerships instead of as corporations. The main advantage a partnership has over a corporation is that partnerships are "pass through" entities for tax purposes. This means that the company does not pay any tax on its earnings. Distributions are still taxed, but this avoids the problem of double taxation to which most publicly traded companies are subject. Congress requires that any company designated as an MLP must produce 90% of its earnings from "qualified resources" (natural resources and real estate). Most MLPs are involved in energy infrastructure, i.e. things like pipelines. MLPs may be required to pay distributions to limited partners. A contract establishes the payments, so distributions are predictable. Otherwise, the shareholders could find the company in breach of contract.

In addition to general business risks, MLPs bear these risks:

Risk of Regulation or Change

MLPs may be attractive investment opportunities due to their tax advantaged status. Therefore, a considerable risk to these securities is if the government changes the tax treatment of MLPs, thereby removing the tax advantage of holding such securities.

Interest Rate Risk

It is commonly thought that these types of investments perform better when interest rates are low, making their yield higher in relation to the safest investments, such as Treasury bills and securities that are guaranteed by the U.S. government. Consequently, MLPs may perform poorly during periods of rising or high interest rates.

Tax Risk

MLPs are pass-through entities, passing earnings through to the limited partners. Investors must be aware that there are potentially significant tax implications of investing in MLPs and they should consult with their tax advisor before investing in these securities.

Real Estate Investment Trusts

Securities issued by real estate investment trusts (REITs) primarily invest in real estate or real estate-related loans. Changes in the value of the underlying property of the trusts, the creditworthiness of the issuer, property taxes, interest rates, tax laws, and regulatory requirements, such as those relating to the environment all can affect the values of REITs. REITs are dependent upon management skill, the cash flows generated by their holdings, the real estate market in general, and the possibility of failing to qualify for any applicable pass-through tax treatment or failing to maintain any applicable exemptive status afforded under relevant laws.

Investing Outside the U.S.

Investing outside the United States may involve additional risks of foreign investing. These risks may include currency controls and fluctuating currency values, and different accounting, auditing, financial reporting, disclosure, and regulatory and legal standards and practices. Additional factors may include changing local, regional, and global economic, political, and social conditions. Further, expropriation, changes in tax policy, greater market volatility, different securities market structures, and higher transaction costs can be contributors. Various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends can also lead to additional risk.

Investments in developing countries can further heighten the risks described above. A developing country may be in the earlier stages of its industrialization cycle with a low per capita gross domestic product (“GDP”) and a low market capitalization to GDP ratio relative to those in the United States and the European Union. Historically, the markets of developing countries have been more volatile than the markets of developed countries.

Developing countries may have less developed legal and accounting systems. The governments of these countries may be more unstable and more likely to impose capital controls, nationalize a company or industry, place restrictions on foreign ownership and on withdrawing sale proceeds of securities from the country, and/or impose punitive taxes that could adversely affect security prices. In addition, the economies of these countries may be dependent on relatively few industries that are more susceptible to local and global changes. Securities markets in these countries are also relatively small and have substantially lower trading volumes. As a result, securities issued in these countries may be more volatile and less liquid than securities issued in countries with more developed economies or markets.

Voting Client Securities

Proxy Voting

Knightsbridge generally votes proxies for securities in managed accounts, unless that authority is retained by the client. In cases where Knightsbridge is responsible to vote proxies on securities held in a client's account, Knightsbridge has adopted policies and procedures in an effort to ensure that all votes are cast in the best interests of our clients and that the proper documentation is maintained relating to how the proxies were voted. Our policies and procedures are summarized as follows:

- We make every effort to ensure that we vote shares in the best interest of clients/beneficiaries and the value of the investment.
- Absent special circumstances, our policy is to exercise our proxy voting discretion according to written pre-determined proxy voting guidelines ("Proxy Voting Guidelines"). The Proxy Voting Guidelines are applicable to the voting of domestic and global proxies.
- Knightsbridge may subscribe to the services of unaffiliated third party proxy vendors that provide written vote recommendations/guidelines, proxy voting, and administrative and record-keeping assistance.
- Clients typically may not direct our vote for a particular solicitation in cases where Knightsbridge otherwise has proxy voting responsibility.
- In cases where sole proxy voting authority rests with Knightsbridge for plans governed by ERISA, Knightsbridge will vote proxies in accordance with our Proxy Voting Guidelines unless clients provide the plan's governing documents that outline otherwise, subject to the fiduciary responsibility standards of ERISA.
- If Knightsbridge becomes aware of any type of potential or actual conflict of interest relating to a proxy proposal, Knightsbridge will promptly document the conflict and may handle the conflict in a number of ways depending on the type and materiality. The method selected by Knightsbridge will depend upon the facts and circumstances of each situation and the requirements of applicable laws and will always be handled in the client(s)' best interest.
- Knightsbridge may also choose not to vote proxies in certain situations or for certain accounts; for example, (1) where a client has retained the right to vote the proxies, (2) where Knightsbridge deems that the cost of voting the proxy would exceed any anticipated benefit to the client, (3) where a proxy is received for a client account that has been terminated, (4) where a proxy is received for a security Knightsbridge no longer manages, (5) when there is not enough information to render an informed decision, or (6) when the terms of a securities lending agreement prevent us from voting a loaned security.

A copy of Knightsbridge's current Proxy Voting Policies & Procedures will be provided with this brochure. Clients may obtain information on how their proxies were voted by contacting Knightsbridge at the principal office and place of business indicated on the cover page of this brochure. In their request, clients should include their name, and the account and security for which they are making the request.

Class Actions

A securities "class action" lawsuit is a civil suit brought by one or more individuals ("Plaintiffs") on behalf of themselves and others who have the same grievance against the issuer of a certain security. When a class action is filed, a written notice of filing and/or settlement is prepared (the "Notice"), which outlines the reasons for the lawsuit, the parameters for qualification as a member of the class and certain legal rights that need to be considered before becoming a member of the class (i.e. participating in the settlement). In addition, the Notice will contain instructions issued by the court or broker/dealers and/or other nominees (e.g. custodians) who receive the Notice and who hold the security on behalf of the owner/beneficiary, to either (1) provide the Claims Administrator (usually the attorney for the Plaintiffs) with the name and address of each such owner/beneficiary so the Claims Administrator can send the Notice directly to such owner/beneficiary, or (2) request additional copies of the Notice and send the Notice directly to the owner/beneficiary. In addition to the owner/beneficiary, Knightsbridge generally also receives notification of a class action.

In cases where Knightsbridge is responsible for filing class actions on behalf of clients, we will first determine whether we believe that a filing is in the best interest of clients. If Knightsbridge deems that participation in the class action is in the best interest of the client, Knightsbridge will complete the necessary forms and submit the claim on the client's behalf. In many cases, Knightsbridge can submit one claim covering all clients whose assets are held with a particular custodian. Knightsbridge may subscribe to the services of an unaffiliated third party class action vendor that completes the forms and submits the claims. Vendors are generally compensated by withholding a percentage of the award, thereby reducing the amount received by the client.

Knightsbridge will typically not act to file a class action claim for securities:

1. held in the client's account at the direction of the client;
2. held in the client's account that were not purchased by Knightsbridge;
3. that were in a client's portfolio while not under Knightsbridge's management; or
4. held in an account no longer under Knightsbridge's management.

This policy has been adopted to reflect that Knightsbridge was not responsible for recommending or managing these positions.

ITEM 7 - CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS

Knightsbridge collects information from clients about their financial situation, goals, and risk tolerance. Clients are encouraged to contact Knightsbridge whenever this information changes.

ITEM 8 - CLIENT CONTACT WITH PORTFOLIO MANAGERS

We have no restrictions on clients' ability to contact and consult with Knightsbridge.

ITEM 9 - ADDITIONAL INFORMATION

Disciplinary Information

Knightsbridge seeks to maintain the highest level of business professionalism, integrity, and ethics and we expect our personnel to maintain such standards as well. Knightsbridge does not have any disciplinary information to disclose.

Other Financial Industry Activities and Affiliations

Knightsbridge does not offer any other services or have any affiliates in the financial industry.

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

Code of Ethics

Knightsbridge believes that we owe clients the highest level of trust and fair dealing. As part of our fiduciary duty, we place the interests of our clients ahead of the interests of the firm and our personnel. We have adopted a Code of Ethics that emphasizes the high standards of conduct that Knightsbridge seeks to observe. Knightsbridge's personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

Knightsbridge's Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. Knightsbridge's personnel are required to follow clear guidelines from the Code of Ethics in areas such as gifts and entertainment, other business activities, and adherence to applicable federal securities laws.

Knightsbridge will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

Personal Trading Practices

Individuals who make securities recommendations to clients, or who have access to nonpublic information regarding any clients' purchase or sale of securities, are subject to personal trading policies governed by the Code of Ethics. Knightsbridge or our personnel may trade in securities for our own accounts. The securities we trade in may be the same securities we recommend to clients, or they may be securities that do not meet the criteria of our investment process or we do not feel are appropriate for clients. We may also trade in related securities (e.g., warrants, options, or futures). Our personal trading practices present a potential conflict of interest as we may have an incentive to take investment opportunities from clients for our own benefit, favor our personal accounts over client accounts when allocating trades, or to use the information about the transactions we intend to make for clients to our personal benefit by trading ahead of clients.

Our policies to address these conflicts include the following:

1. We seek to always put the best interests of clients first and to never place our interests ahead of clients.
2. Knightsbridge prohibits trading in a manner that takes personal advantage of our knowledge of client transactions.
3. Knightsbridge personnel must request pre-clearance from our Chief Compliance Officer if they wish to purchase or sell a security. (Direct obligations of the U.S. government, some short-term debt securities and CDs, money market funds, and certain mutual funds do not need to be pre-cleared.)
4. Knightsbridge has implemented a trading rotation policy for placing trades. If Knightsbridge is managing accounts for our personnel and wishes to include personal accounts in the same trading exercise as clients, trades of our personnel are placed last in the rotation. If a security being traded is common only to strategies where all client and employee accounts are with the same custodian, we may execute client and employee accounts together in the same block. Because the price of securities fluctuates during the day, we could trade in a security on the same day as a client and receive a better or worse price than the client's price. Any difference in the prices we receive is never the result of our intentionally trading ahead of clients.
5. Conflicts of interest also may arise when Knightsbridge personnel have access to Limited Offerings or IPOs, including private placements or public or private offerings of interests in limited partnerships or any thinly traded securities, as a result of their position with Knightsbridge. Given the inherent potential for conflict in connection with Limited Offerings and IPOs, Knightsbridge personnel are required to obtain pre-approval from our Chief Compliance Officer before trading in these types of securities.
6. Because these policies are intended to protect the interests of clients, we may make exceptions where we feel clients would not be harmed.

Participation or Interest in Client Transactions

Cross transactions may create a conflict of interest. At times, a client may need to sell a security that we think is a good fit for another client's account. In this case, we may internally cross the security from the account of the selling client to the buying client's account. We will only engage in such a transaction when the proposed transaction is in the best interests of both clients. We do not "dump" a security into a client's portfolio just because another client needs to sell, nor do we decide to sell a security from one client's account just because another client needs a similar security. Usually, this situation arises with fixed income securities where both clients benefit through better pricing by crossing the security instead of going into the open market to complete separate transactions.

All internal cross transactions will be priced at the independent current market price of the security. We will also take into account any additional fees charged to cross the security to ensure that the transaction is still appropriate for both clients. Transaction fees may be split between the clients participating in the cross trade or the whole fee may be charged to the client on one side of the trade.

Cross trades are an exception to Knightsbridge's normal operating procedures and can only be effected when it is of conspicuous advantage to both accounts in the absence of appropriate and comparable alternatives. Knightsbridge does not act as agent through a broker-dealer for any cross transactions effected for clients, and will never receive any commissions or other compensation for these trades (other than our normal advisory fees for managing the accounts).

Brokerage Practices

The Custodians We Use

Clients open one or more accounts in their own name at an independent qualified custodian (generally a broker-dealer, bank, trust company, or other financial institution). For wrap clients in need of custodial services, Knightsbridge typically recommends that clients use the custody and brokerage services of Fidelity Institutional Wealth Services ("Fidelity") or Schwab Advisor Services ("Schwab"). Factors that Knightsbridge might consider in recommending a custodian include pricing, efficiency and accuracy of execution, error resolution ability, block trading capabilities, willingness to execute related or unrelated difficult transactions in the future, promptness of confirmation, access to trading desk, availability of research, online access to client account data, ease of navigating system, and other matters involved in the receipt of brokerage services generally. The client will enter into a separate agreement with the custodian to custody the assets. Knightsbridge is independently owned and operated and not affiliated with any broker-dealer or custodian.

Factors Considered in Selecting Broker-Dealers for Client Transactions

In recommending custodians, we may also consider the research and brokerage services that the custodian offers to Knightsbridge and referrals we receive from the custodian (described under *Brokerage for Client Referrals* in this Item, below). Fidelity and Schwab provide Knightsbridge and our clients with access to their institutional brokerage, trading, custody, reporting, and related services which assist us in managing and administering our clients' accounts. These products and services may include investment research as well as software and other technology that provide access to client account data (such as duplicate trade confirmations and account statements); facilitate trade execution and allocate aggregated trade orders for multiple client accounts; provide pricing and other market data; facilitate payment of our fees from our clients' accounts; and assist with back-office functions, recordkeeping, and client reporting. They may also offer to Knightsbridge other services intended to help us manage and further develop our business enterprise, such as educational conferences and events; consulting on technology, compliance, legal, and business needs; publications and conferences on practice management and business succession; and access to employee benefits providers, human capital consultants, and insurance providers.

Typically, when a broker such as Fidelity or Schwab holds the client's account, the custodian generally does not charge separately for custody services. Instead, the custodian receives compensation by charging commissions or other fees on trades that it executes or that settle into clients' accounts. In addition to commissions, the custodian will generally charge a flat dollar amount as a "prime broker" or "trade away" fee for each trade that is executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into a client's custodian account. In order to minimize costs for the client, Knightsbridge generally places trades with the client's custodian. We have determined that having the custodian execute most trades is consistent with our duty to seek "best execution" for those clients' trades. However, if Knightsbridge determines a different broker-dealer can offer better execution than the custodian, Knightsbridge as the sponsor of this wrap program, pays the "trade away" fees in order to minimize costs for the client. Knightsbridge monitors transaction results over time to evaluate the quality of execution provided by the various broker-dealers we use, to determine that commission rates are competitive and otherwise to evaluate the reasonableness of the compensation paid to those broker-dealers in light of the factors described above.

Aggregation and Allocation of Transactions

Knightsbridge may aggregate orders for clients in the same securities in an effort to seek best execution, negotiate more favorable commission rates, and/or allocate differences in prices equitably among our clients.

Based on our management process and the securities we recommend, there may be times where we cannot or choose not to aggregate client trades or where trading opportunity for a particular security is limited. Knightsbridge may choose not to implement or aggregate a security purchase across all strategies for which the security is appropriate if, in our view, implementing the trade in certain strategies would not be in the best interest of clients in those strategies at that time, based on market circumstances or other considerations. For example, this situation may arise where a desired security purchase would require selling other holdings in a strategy. In these cases, we may decide to only implement the purchase for client and employee accounts in other strategies that did not require a sale of portfolio holdings. In all circumstances, Knightsbridge attempts in good faith to allocate trades and investment opportunities among clients in a manner that, over time, is equitable to all our clients.

When aggregating orders and placing trades for managed accounts, Knightsbridge will observe the following procedures:

1. We will not aggregate transactions unless we believe that aggregation is consistent with our duty to seek best execution for our clients.
2. No client account will be favored over any other client account within a trading block.
3. Each account that participates in an aggregated transaction will participate at the average of the executed share price for that transaction.

4. Knightsbridge has implemented a trading rotation when placing trades for each new aggregated trade.
 - a. *Accounts accessed through the Financial Information eXchange (“FIX®”).* Orders can be sent electronically to brokers from Knightsbridge’s execution management system.
 - b. *Accounts not FIX® enabled (i.e., trading via proprietary websites or phone calls to brokers).* Certain arrangements (i.e., third party wrap programs or client directed brokerage arrangements) may require Knightsbridge to place trades on a system separate from our regular trading system, which creates operational inefficiency in trading these accounts, increasing the time it takes us to enter and complete trades. We trade these brokers after others in the client rotation because the trading delays could negatively affect other clients who do not have these restrictions. We have found this practice is consistent with other investment advisers.
 - c. *Knightsbridge employee accounts.* Trades in accounts for Knightsbridge personnel will be placed after the client groups above. If the security being traded is common only to strategies where all client and employee accounts are with the same custodian, we may execute client and employee accounts together in the same block.
 - d. *Restricted client accounts.* Knightsbridge may exclude accounts in which clients have placed restrictions from the aggregated order to allow for additional time to review whether the particular transaction would result in a violation of the client restriction. Consequently, the account will not benefit from any price or commission advantages that may have been achieved through aggregation. The account will be traded after other accounts and may receive an execution price that is higher or lower than aggregated accounts.
5. We will allocate each transaction in writing prior to the time an order is transmitted to a broker for execution (Pre Allocation Order). In rare circumstances where timing is critical and we determine it would be in clients’ best interests to promptly begin trading, we may transact in a security without a Pre Allocation Order. In such circumstances, allocations will be determined within four hours of beginning the trading exercise.
6. If the aggregated transaction is filled entirely, it will be allocated among the accounts listed on the Pre Allocation Order. If the order is partially filled, we will allocate it on a random basis.
7. If we determine that a random allocation is not appropriate under the particular circumstances, we will base the allocation on other relevant factors as follows:
 - a. We may allocate on a pro-rata basis. In cases when a pro-rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, Knightsbridge may follow an alternative procedure below;

- b. When only a small percentage of the order is executed, with respect to purchase allocations, allocations may be given to accounts high in cash;
- c. With respect to sale allocations, allocations may be given to accounts low in cash;
- d. We may allocate shares to the account with the smallest order, or to the smallest position, or to an account that is out of line with respect to security or sector weightings, relative to other portfolios with similar mandates;
- e. We may allocate to one account when that account has limitations in its investment guidelines prohibiting it from purchasing other securities that we expect to produce similar investment results and that can be purchased by other accounts in the block;
- f. If an account reaches an investment guideline limit and cannot participate in an allocation, we may reallocate shares to other accounts. For example, this may be due to unforeseen changes in an account's assets after an order is placed;
- g. We will document the reasons for any deviation from a random allocation.

Review of Accounts

Account Reviews

All client accounts are reviewed on a number of levels. Knightsbridge's portfolio managers are responsible for determining overall investment strategy and making security selection decisions. The investment team, including the firm's portfolio managers and research analysts, meets regularly to review buy and sale candidates and any overall changes to investment policy. Account managers are responsible for implementing the portfolio strategies for clients based on the restrictions and guidelines of each account.

Knightsbridge uses a portfolio management system which incorporates restrictions and portfolio guidelines for client accounts. Knightsbridge's portfolio administrators work with the account managers to monitor client accounts for compliance with the guidelines. Client accounts will be reviewed by the account managers if they are out of balance with the portfolio strategy or other account guidelines, with material account deposits or withdrawals, or upon changes to the client's investment objectives or restrictions.

Additionally, Knightsbridge's portfolio managers meet regularly and as needed to review all accounts, including risk exposure and performance of all portfolios. As part of this review process, a report is prepared which includes market value, cash, security position percentage, and performance information for each account.

Account Reporting

On a quarterly basis, clients in direct management relationships with Knightsbridge receive a written statement of account performance for their discretionary accounts under our management, along with written commentary discussing market environment and important shifts in sentiment, valuation and outlook. Knightsbridge may also provide additional reporting as agreed upon with the client on a case-by-case basis. Additionally, the custodian of client assets will provide statements at least quarterly which

detail account securities holdings and account cash flows. Transaction confirmations will be provided by the clearing broker.

When Knightsbridge manages the client's account under a third party sub-advisory or wrap fee program, Knightsbridge does not customarily provide individual reporting to the client.

Client Referrals and Other Compensation

Brokerage Support Products and Services

We receive an economic benefit from broker-dealers/custodians in the form of the support products and services they make available to us and other independent investment advisors whose clients maintain their accounts at the custodian. These products and services, how they benefit us, and the related conflicts of interest are described above (see ***Brokerage Practices***). We do not base particular investment advice, such as buying particular securities for our clients, on the brokerage products and services available to us.

Solicitor Arrangements

If an unaffiliated solicitor introduces a client to Knightsbridge, that solicitor will disclose the nature of the solicitor relationship with Knightsbridge at the time of the solicitation. In addition, either Knightsbridge or the solicitor will provide each prospective client with a copy of this brochure, and a copy of the written statement disclosing the terms and conditions of the arrangement between Knightsbridge and the solicitor, including the compensation the solicitor will receive from Knightsbridge.

Financial Information

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition if the adviser requires the prepayment of more than \$1,200 in fees per client, six months or more in advance. Knightsbridge does not require such prepayment and does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients; consequently, no additional financial disclosure is required.