

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

**Smith Affiliated Capital Corp.**

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March 31, 2015

## Item 1 – Cover Page:

This brochure provides information about the qualifications and business practices of Smith Affiliated Capital Corporation (“SAC”). If you have any questions about the contents of this brochure, please contact us at (212) 644-9440 or by email at: [info@smithcapital.com](mailto:info@smithcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Smith Affiliated Capital is a registered investment adviser located at Wall Street Plaza, 88 Pine Street New York, New York 10005. Website: [www.smithcapital.com](http://www.smithcapital.com). Registration of an adviser does not imply that the adviser has attained any level of skill or training. The oral and written communications of Smith Affiliated Capital provide you with information about which you determine to hire or retain SAC.

## Item 2 – Material Changes:

### **Annual Update**

This brochure dated March 31, 2015 is an amendment to the Company’s last updated brochure dated, March 31, 2014. In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may provide other ongoing disclosure information about material changes as necessary.

### **Full Brochure Available**

You may request the most recent version of our brochure, at any time, without charge by contacting John Smith, Co-Chief Compliance Officer and Chief Information Officer; Maria Smith, Co-Chief Compliance Officer and CEO; or Christina Coster, Manager of Client Service at (212) 644-9440.

The following **material changes** have been made since our last update:

- 1) Smith Affiliated Capital has relocated our office as of February 20, 2015  
From: 800 Third Avenue, 12<sup>th</sup> floor New York, New York 10022  
To: Wall Street Plaza, 88 Pine Street, 5<sup>th</sup> Floor New York, New York 10005
- 2) Robert G. Smith, Chairman and founder of Smith Affiliated Capital (SAC) transferred his remaining interest to the managing partners of Smith Affiliated Ventures LLC (SAV) in March 2015. All the investment decision makers prior to the change in control will remain in place.
- 3) The managing partners of SAV are Maria E. Smith, CEO (46%); Matthew J. Smith, President; John K. Smith, COO/CIO; and Jiang Peng, CFA, Executive VP, CIO.
- 4) Robert G. Smith, Chairman & Founder will remain in his current roles as Chairman of SAC.
- 5) Jiang Peng, CFA, Executive VP, CIO for SAC was made a managing member of Smith Affiliated Ventures LLC (SAV) in March 2015.

- 6) Christopher Gildea – hired July 2014 as Executive V.P. of SAC's Equity and Alternative Investing. In 2015 Christopher was also made a member of SAC's Investment Committee.
- 7) Christopher is also portfolio manager for the PortSmith Capital Fund LP. (See Item 4 for Advisory Services)
- 8) Bruce D. George CFA, CAIA – resigned November 2014 as Executive V.P. Marketing and New Business Development.
- 9) **Added to item 4 Advisory Services:** Item 4 has been updated to reflect SAC's AUM as of December 31, 2014. We also added SAV's newly formed partnership in PortSmith Capital Partners LLC and SAC's role as the investment advisor to the PortSmith Capital Fund L.P.
- 10) **Added to Item 5 Fees and Compensation:** Item 5 has been updated with the fee structure and compensation for the Separately Managed Accounts (SMA) using SAC's long/short equity strategy and the PortSmith Capital Fund LLC.
- 11) **Added to Item 6 Performance-Based Fees and Side-by-Side Management:** Item 6 has been updated with the performance based fee structure and side-by-side management related to SAC's long-short equity hedge strategy, PortSmith Capital Fund and sub-advisers.
- 12) **Added to Item 8 Methods of Analysis and Investment Strategies Generally:** Item 8 has been updated with the methodology used for the long-short equity strategy for SMAs and the PortSmith Capital Fund LP as well as the philosophy, strategy, characteristics, research, security selection and short sale investment process.

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## **Item 4 – Advisory Business:**

### **SAC Firm Description**

Smith Affiliated Capital Corp. (“SAC”) is an independent, registered investment advisory firm based in New York. SAC was founded in 1982 by Robert G. Smith, Ph.D., and is organized as a “C” corporation under the laws of the State of New York. Smith Affiliated Capital Corp (“SAC”) known as the “firm” in this document, is a wholly owned subsidiary of Smith Affiliated Ventures L.L.C. (“SAV”) a limited liability company registered in the State of New York. Smith Affiliated Capital Corp (a “C” Corp) is the investment adviser and operating entity of SAV. In 2015, the remaining shares from Robert G. Smith PhD and Chairman of SAC were transferred to the employees. Robert Smith remains as Chairman of SAC Corp. Maria E. Smith (Breslin), CEO, is the principal owner of SAV LLC. (A principal owner is someone who owns at least 25% of the firm); along with Matthew J. Smith, President; John K. Smith, co-CCO/COO and Jiang Peng, CFA, Exec V.P. and CIO collectively hold a controlling interest. Smith Affiliated Capital (“SAC”) will operate as an employee owned entity. The conversion to an employee owned firm had no change on the decision-making process of the firm and all key investment decision makers remain in-place.

As of 12/31/14, SAC manages \$2,404,925,531 billion in AUM for its clients. AUM for discretionary management was \$1,626,601,204 billion; AUM for non-discretionary management was \$778,324,227.

SAC also manages several hundred million in AUM for our Advisory clients which are not included in our firm AUM. Total SAC AUM is inclusive of the PortSmith Capital Fund L.P. AUM of \$745,782.

### **PortSmith Capital Partners LLC Description**

In June 2014, Smith Affiliated Ventures LLC (SAV) formed PortSmith Capital Partners L.L.C., a Delaware Limited Liability Company. In August 2014, PortSmith Capital Partners LLC became the general partner for the PortSmith Capital Fund, L.P. (the “Fund”) a long/short equity hedge fund and a limited partnership vehicle that SAC manages.

The historical performance of the fund was ported from a fund managed by Christopher Gildea when Christopher was a partner and owner of Merit Investment Management from 2009 to June 2014. Merit was also a former sub-adviser of SAC.

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we custom design and tailor our advisory services to meet our clients’ individual needs. As used in this Brochure, the words “we”, “our”, and “us” refer to SAC, and the words “you”, “your”, and “client” refer to you as either a client or prospective client of our firm or as a limited partner of the PortSmith Capital Fund L.P. (the “Fund”). You also may see the term “Associated Person” throughout this brochure. As used in this brochure, our Associated Persons are our firm’s officers, employees, and all individuals providing investment advice on behalf of our firm, or as a member of the PortSmith Capital Partnership.

### **Investment Management Services**

Smith Affiliated Capital (SAC) provides investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities based on the individual needs of each client. Depending on the engagement, we offer our services on a fee basis based upon assets under management. Prior to engaging us, the client will be required to enter into one or more written agreements setting forth the terms, conditions, and objectives under which we shall render our services (the “Agreement”). Additionally, we may only implement our investment recommendations after a client has arranged for and furnished all information and authorization regarding accounts with appropriate financial institutions. Our clients are advised to promptly notify us if there are ever any changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon our advisory services.

### **Discretionary Management Services**

Our firm offers professional discretionary and non-discretionary investment advice to our clients directly and through other financial advisors (“Sub-Advised” clients) and/or wrap fee programs (“Wrap Program” clients). In all cases SAC controls all investment decisions.

When participating in our discretionary services, we have the authority to make investment decisions on behalf of our clients, including which securities to buy and sell (referred to as “discretionary authority”) consistent with each client’s objectives and guidelines. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold without approval prior to each transaction. The discretionary authority is typically granted by the Investment Manager Agreement signed with our firm, a power of attorney, or trading authorization forms. Our discretionary authority can be limited by the written IPS that is provided to SAC, or designed and agreed upon by the client at the inception of SAC’s advisory services.

SAC separately manages investment portfolios to meet each individual client’s stated objectives, goals, and risk tolerances, taking into consideration each client’s need for liquidity, safety, income, and growth and any other relevant information (the “suitability information”) at the beginning of our advisory relationship. We use the information gathered in our discovery phase to develop a strategy, and if not provided, an investment policy statement (IPS) that enables our firm to provide continuous and focused investment advice and/or to make investments on your behalf.

Once the IPS is developed and documented, SAC will address how to best construct or rebalance your investment portfolio in accordance with the risk tolerances and investing objectives stated in the IPS. Typically, portfolios will align with one or more of our investment strategies as illustrated by investment composites or investment Fund. Portfolio investments and performance are actively managed and monitored on an ongoing basis. Portfolios are rebalanced as required by changes in market conditions and/or your financial circumstances. Any changes to the original IPS based on the stated circumstances are also documented and recorded within our client files by one of the associated persons of our firm.

### **Private Investment Funds**

SAC is the investment adviser for the PortSmith Capital Fund L.P. ("PSCF").

With the exception of the PortSmith Capital Fund, SAC's role relative to private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for the purposes of SAC calculating its investment advisory fee. SAC's clients are under no obligation to consider or make an investment in a private investment fund.

**Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which are provided to each client for their review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that client is qualified for investment in the private fund and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note:** Valuation. In the event that SAC references private investment funds owned by the client on any supplemental account reports prepared by SAC, the value(s) for all such private investment funds shall reflect either the initial purchase or the most recent valuation provided by the fund sponsor. If the valuation reflects the initial purchase price (or a value as of a previous date), the current value(s) (to the extent ascertainable) could significantly differ from the original purchase price.

### **Non-Discretionary Management Services**

SAC offers non-discretionary management services under conditional trading authority with a highly customized or limited ability, to implement SAC's broad market investment strategies. In most cases SAC has limited control of investment management decisions.

Our non-discretionary services can include the following services: asset allocation, liability analysis, investment policy consulting, tax-efficient investment planning, crossover investing, second opinions, investment diagnostics, portfolio monitoring, and investment execution.

### **Advisory Services**

SAC's advisory services provide the following types of services intended purely for guidance and education:

- *Plan-specific or funding information, liability analysis, and actuarial review* include the benefits of increasing contributions and other information, such as details on the available investment options (e.g., each risk and return characteristics, historical return information, prospectus).
- *General financial and investment education* informs clients about investing concepts such as types of risk (market, inflation, etc.), diversification, dollar cost averaging, compounding, etc. This category also includes general information about asset classes as well as determining time horizons, risk tolerance levels, and retirement income needs.
- *Asset allocation modeling* provides clients with examples of diversified portfolios based on certain investor profiles. This information may include charts, spreadsheets, and/or case studies that pertain

to hypothetical individuals with differing time horizons and risk profiles.

- *Interactive investment material* provides clients with tools to help them make investment decisions and generally will include proprietary research and analytics as well as assess the impact that different asset allocation models might have on their future investment income.

Advisory services do not include the implementation of investment decisions or the trading authority for the investment execution reviewed through the forensic process. Advisory clients are ultimately responsible for determining whether any investment, security, or strategy is appropriate or suitable based on the client's investment objectives and financial situation.

#### **Limited Consulting/Implementation Services**

Although SAC does not hold itself out as providing financial planning services, to the extent specifically requested by a client, SAC may provide limited consultation services to its investment management clients on investment and noninvestment related matters, such as estate and tax planning and insurance, that are generally ancillary to the investment management process. Any such consultation services, to the extent rendered, shall be rendered exclusively on an unsolicited basis. SAC *may* at some point determine to charge a fee for such consulting services. SAC does not serve as an attorney, accountant, or licensed insurance agent, and no portion of SAC's services should be construed as offering the same. To the extent requested by a client, SAC may recommend the services of other professionals for certain noninvestment implementation purposes, such as attorneys and accountants. The client is under no obligation to engage the services of any recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from SAC.

**Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

**Also Note:** It remains the client's responsibility to promptly notify SAC if there is ever any change in client's financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Registrant's previous recommendations or services.

#### **Sub-Advisory Services**

SAC will recommend investment advisers that we believe can add value to a client's overall asset allocation needs. Upon the client's approval, SAC will contract with the "sub-adviser" for their services and simultaneously the client will execute an advisory contract with the sub-adviser prior to any investment management services. In this capacity, SAC will provide investment management oversight and review of all transactions and investment strategies as well as monitor the performance, record keeping and billing process, similar to our discretionary services mentioned above however; SAC does not have investment management responsibility for a particular sub-adviser strategy. In this capacity SAC will share in a pro-rata share of the management fee. Clients will be provided with the sub-advisers required documentation for investment services prior to the management of assets. In June 2014, SAC terminated our sub-advisor agreement with Merit Investment Management LLC.



## Item 5 – Fees and Compensation:

Our management fee is subject to negotiation depending on individual client circumstances, such as asset size, liquidity needs, number of accounts per individual relationship, and other such factors that is required to meet the mutually agreed-upon stated objectives in the investment objectives stated in the Investment Policy Statement of the client (IPS). All fee arrangements will comply with Section 205 of the Advisers Act. We reserve the right to waive the advisory fee for certain accounts such as employee accounts.

Our fee is generally billed and payable on a quarterly basis in advance. The specific manner in which our fees are charged is established in the Agreement. There are few exceptions which may include billable assets in arrears. Fees are based on the value of your account on the last day of the quarter. For the initial quarter of investment management services, the first quarter's fees shall be calculated on a pro rata basis. The Agreement between us and a client will continue in effect until terminated by either party pursuant to the terms of the Agreement. Our annual fee shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the client, as appropriate, in a timely manner.

The Agreement and/or the separate agreement with any financial institution(s) may authorize us to invoice the custodian for the advisory fee. The Agreement further authorizes the custodian to deduct the amount stated in the fee statement from one or more of the client's accounts in accordance with applicable custody rules. The financial institution(s) recommended by us have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to us. A client may make additions to and withdrawals from the account at any time, subject to our right to terminate an account.

Additions to client accounts may be in cash or securities provided that we reserve the right to liquidate any transferred securities, or decline to accept particular securities into a client's account. We may consult with our clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into an account after the inception of a quarter the fee payable with respect to such assets are not pro-rated for the quarter but rather billed in the following quarter. Conversely, assets withdrawn during a quarter are prorated based on the number of days remaining in the quarter for unearned fees and credited in the following quarter. A client may withdraw account assets on notice to us, subject to the usual and customary securities settlement procedures.

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by a client. Clients may incur certain charges imposed by custodians, brokers, third party investment managers and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and

other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to our fee, and we shall not receive any portion of these commissions, fees, and costs. Advisory clients should note that they have the option to purchase investment products recommended by us through other brokers or agents that are not affiliated with us.

**Item 12** - further describes the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

### **Taxable Investment Strategies:**

#### **1) CashPlus: Investment Grade Fixed Income**

<u>Assets under Management</u>	<u>Annual Fee</u>
\$5,000,000 to \$10,000,000	.25%
\$10,000,001 to \$50,000,000	.20%
\$50,000,001+	.15%
Minimum fee	\$12,500

#### **2) Low Duration: Investment Grade Fixed Income**

<u>Assets under Management</u>	<u>Annual Fee</u>
\$5,000,000 to \$10,000,000	.30%
\$10,000,001 to \$50,000,000	.25%
\$50,000,001+	.15%
Minimum fee	\$15,000

#### **3) Intermediate: Investment Grade Fixed Income**

<u>Assets under Management</u>	<u>Annual Fee</u>
\$5,000,000 to \$10,000,000	.35%
\$10,000,001 to \$50,000,000	.30%
\$50,000,001+	.15%
Minimum fee	\$17,500

#### **4) Core: Investment Grade Fixed Income**

<u>Assets under Management</u>	<u>Annual Fee</u>
\$5,000,000 to \$10,000,000	.40%
\$10,000,001 to \$50,000,000	.35%
\$50,000,001+	.15%

#### **5) US Treasury Inflation-Protected**

<u>Assets under Management</u>	
\$5,000,000 to \$10,000,000	.40%
\$10,000,001 to \$50,000,000	.35%
\$50,000,001+	.15%

## **Tax-Exempt Investment Strategies: National and State Specific strategies**

### **1) Limited Duration Municipal**

<u>Assets under Management</u>	<u>Annual Fee</u>
\$2,000,000 to \$10,000,000	.40%
\$10,000,001 to \$50,000,000	.35%
\$50,000,001+	.15%
Minimum fee	\$10,000

### **2) Core Municipal**

<u>Assets under Management</u>	<u>Annual Fee</u>
\$5,000,000 to \$10,000,000	.45%
\$10,000,001 to \$50,000,000	.40%
\$50,000,001+	.15%
Minimum fee	\$25,000

## **Separately Managed Accounts: Long Only Equity strategies:**

### **1) Equity long-only**

<u>Assets under Management</u>	<u>Annual Fee</u>
\$2,000,000 to \$10,000,000	.85%
\$10,000,001 to \$50,000,000	.75%
\$50,000,001+	.45%

## **Alternatives Strategies:**

### **1) Long-short Equity: Separately Managed Accounts**

Minimum Account size: \$10,000,000

Annual Fee: 1.00%

Performance – Based Fee: 10%

Fees and Compensation Separately Managed Accounts of the Long-short equity strategy are calculated as a percentage of assets under management and/or performance- based fees. Different fee schedules than those described above may be available to accounts with higher amounts of assets under management. In certain circumstances, fees may be subject to negotiation, and fees may be modified for certain clients. The reasons for modifications include the complexity and level of service provided the number of different accounts and the total assets under management for an investor and its related persons, or other circumstances that SAC deems relevant. Certain accounts of persons formerly affiliated with Merit may be managed without fees or at reduced fees.

See **Item 6** entitled: Performance-based Fees and Side-by-Side Management for additional information. Fees based on a percentage of assets under management are calculated by multiplying the fair market value of the cash and securities in the portfolio as of the close of the calendar quarter by the applicable fee rate(s) prorated for any partial quarter.

**PortSmith Capital Fund L.P. - Commingled Fund**

Minimum Account size:	\$1,000,000
Annual Fee:	1.50%
Performance – Based Fee:	20%

Certain accounts of persons affiliated with SAC may be managed without fees or at reduced fees. SAC's fees do not include other expenses incurred by clients in connection with our investment advisory services such as brokerage costs. **See Item 12** entitled Brokerage Practices on page 12 for additional information.

Investment management and investment advisory contracts between SAC and its clients can be terminable at any- time or have lock-up agreements depending upon the specific circumstances and needs of particular clients. In the event of termination, advisory fees will be prorated over the period during which investment management or investment advisory services were provided.

SAC may allocate a portion of its clients' capital to money market funds or exchange-traded funds. In addition to the fees and expenses discussed below, clients will indirectly incur similar fees and expenses if SAC invests their capital in such funds, as such funds in turn pay similar fees and expenses to their investment managers and other services providers.

**Non-Discretionary and Advisory Services**

Our fee for non-discretionary and advisory portfolio management services is based on a percentage of your assets we manage or advice on and is set forth in the following schedule:

<b><u>Assets under Management</u></b>	<b><u>Annual Fee</u></b>
First \$10,000,000	.35%
Next \$10,000,001 to \$50,000,000	.25%
Over\$50,000,000	.15%

Fees for our non-discretionary and/or advisory services are negotiable depending on individual client circumstances. SAC may also assess a fixed-rate fee only for those advisory services where we provide detailed reports or other services outside the scope of portfolio management services as described above. The fees for such services are based on the scope and nature of the service as well as the complexity of the financial situation. In all cases, applicable fees, fee paying arrangements, and the terms of the engagement will be clearly set forth in the client agreement executed in advance of the service being rendered.

**Other Fee Considerations**

When requested by a not-for-profit or a charitable organization, SAC may consider a discount of their advisory service fee. We do not charge upfront fees. We will not require prepayment of fees more than six months in advance and in excess of \$1,200.

### **Compensation Based Conflicts**

SAC may benefit financially when using a sub-adviser which may create a financial conflict. SAC and the sub-adviser discloses this conflict in the investment management agreements (for Accounts) and offering documents for potential investors, and will only retain sub-advisers when SAC believes that doing so is appropriate and in the best interests of the relevant investment fund, strategy or Account.

### **Termination of Services and Rebate of Fees**

Agreements entered into with clients provide for termination by notice in writing by either party. In such event, fees paid in advance are pro-rated to the date of termination as specified in the notice of termination (30 days' notice is generally required), and any unearned portion is refunded to the client.

For example, if you paid in advance for the quarter on April 1 and decided to terminate your contract on May 1, SAC will reimburse the pro rata fee from May 1 plus 30 days. You will therefore receive a prorated refund of fees paid from June 1 to June 30.

## **Item 6 – Performance-Based Fees and Side-By-Side Management:**

SAC charges a performance based fee s (fees based on a share of capital gains on or capital appreciation of the assets of a client) for our separately managed long-short equity strategies. SAC is compensated for its investment management services on the basis of fees calculated as a percentage of assets under management and performance-based fees. SAC's sub-adviser relationships however may charge an asset based and performance based fee as stated in their ADV Part II Brochure. Fees are generally deducted from client accounts subject to terms and conditions that are detailed in each client's Investment Management Agreement ("IMA"). Alternative frequency of payments and/or methods of calculation may be available, where appropriate and upon the client's request.

### **Conflicts**

Due to the nature of performance-based fee schedules, there is the potential for conflicts of interest related to the favoring of performance-fee based accounts. To address these conflicts, SAC's policies and procedures seek to provide that investment decisions are made without consideration of its financial interests, and instead are made in accordance with SAC's fiduciary duty to all clients.

SAC has established policies and procedures designed to prevent any preference or favoring. For instance, trades involving the same security are executed in a single order and allocated based on an average price. In addition, SAC's Code of Ethics was written and implemented in an effort to ensure no potential conflict results in unfair treatment of any client account.

*To obtain a copy of the Code of Ethics, please contact John K. Smith at [jsmith@smithcapital.com](mailto:jsmith@smithcapital.com) or by calling 212-644-9440.*

## Item 7 – Types of Clients:

SAC provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, private investment funds, trust programs, sovereign funds, and other U.S. and international institutions.

In addition, SAC provides investment management services to the PortSmith Capital Fund LP. Investors in the Fund and SAC's SMA long-short equity strategy are generally institutional investors and high net worth individuals that qualify as "accredited investors" (as defined in the Rule 501 under the Securities Act of 1933, as amended).

## Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss:

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

The following is a summary of (i) the strategies and methods SAC uses in formulating advice or managing assets (and their material risks) and (ii) the material risks associated with the type of fixed income and equity securities that SAC primarily recommends to its clients.

SAC seeks to generate superior long-term returns while minimizing risk through a consistent, risk controlled framework that supports a disciplined, repeatable investment process.

SAC offers concentrated and broad market strategies using high quality fixed income, equity and precious metal securities. SAC investments are long only strategies and do not incorporate the use of leverage, options or futures unless specifically identified as SAC's hedged long/short equity strategy or private placement fund, PortSmith Capital Fund, L.P. where SAV's is a managing partner.

### **Investment Strategies and Process**

SAC uses a "liability-driven" approach to understanding our client's investment goals and risk strategies.

*Liability-driven* is a financial and actuarial term used to describe investment policies, and, more generally, asset management decisions, that are determined in large part by the sum of current and future liabilities attached to the investment-making entity, be it an individual or an institutional investor. The goal is to inject a "holistic" approach into our investment process with an understanding of both the assets and the liabilities of a client's balance sheet.

We calculate portfolio changes over a series of time periods using "total-return" calculations that include the following 4 components of "total- return" valuation for client portfolios:

- 1) Realized gains and losses
- 2) Unrealized gains and losses/changes in market value
- 3) Income earned and paid during the period
- 4) Accrued income: income earned and not yet paid during the period

To support our process SAC identifies investment opportunities by following a fundamental, research driven

process and selects securities from a wide range of potential investments. We do not discriminate or characterize our investment style when designing equity or fixed income strategies; rather we seek to provide sustainable, positive outcomes over the long-term with significant liquidity to meet a client's near term liability and long-term goals.

### **Investment Policy Development and Review Process**

SAC uses a combination of fundamental, quantitative, qualitative, and technical analysis that includes an active approach to top-down and bottom-up investment analysis. Methods of analysis start with a thorough understanding of our client's goals, objectives, and needs. The Investment Policy Statement (IPS) is a written document that is reviewed at the beginning of the adviser relationship and periodically throughout SAC's engagement with our clients. All investments come with a level of risk; the IPS should clearly identify the acceptable risks the client is willing to take given a certain level of return.

Because most investors' think of risk in a variety of ways and degrees SAC's investment process seeks to help clients understand and assess risk during the initial due diligence process and client review. We believe it is important to understand the risk regime at the point of inception. The policy statement identifies the asset classes permitted, the liquidity and/or funding needed, and the expected total returns required within a market cycle, which is typically 3-5 years. A defined liability and/or a market benchmark is determined in view of the agreed-upon stated objectives and goals. This gives our clients the ability to measure the ongoing progress of the investment portfolio on a gross-of-fee, net-of-fee, and risk-adjusted basis.

### **Risks associated with the development of the IPS**

It is possible for clients to leave out critical information during the discovery phase and development of the IPS. This can have a negative impact for the types of investments and the investment horizon as well as the investment performance results. SAC makes every attempt to discuss all relevant financial and non-financial information that may affect a client's investment strategy and performance. We look to mitigate these risks by offering frequent reporting to our clients and designated consultants, accountants, and attorneys. We request at least an annual face-to-face meeting with clients. Our daily account administration services and processes includes daily reconciliation of cash and security positions, valuations, and the methodologies used with our client's designated custodians, and daily portfolio analytics and performance evaluations. In addition, we provide regular and frequent industry reports and analysis via postal mail, e-mail, and our website

### **Fixed Income Investments**

SAC fixed income strategies focuses on constructing portfolios of high quality, investment grade bonds with a goal of achieving superior returns with a goal to minimize or mitigate those risks associated with fixed income investing.

SAC's taxable fixed income investing we invest in investment- grade fixed income (credit rating investment grade or better). Below investment grade investments are included depending on a client's investment needs and risk constraints.

Securities include US Treasury, Government Agency, Mortgage Backed Securities, Corporate bonds, taxable and tax-free municipal bonds, inflation-indexed bonds.

Portfolios can be designed as concentrated or broad market strategies across anyone of these sectors,

SAC's tax-free municipal bond investments are generally in essential and vital service bonds and General Obligation bonds with a history of timely disclosure. Tax efficient portfolios sometimes require a concentrated state portfolio to achieve the most tax-efficient outcomes. Diversification is achieved through various subsectors with the Revenue or General Obligation subsectors.

Our process focuses on in-depth credit research, strategic yield curve positioning, bond structure analysis, duration management, portfolio diversification and zero default tolerance. The average credit quality is typically A to A+. Typical risk factors associated with our strategies are sector risk, reinvestment risk, business risk, market risk, interest-rate risk, and purchasing power risk; call risk, prepayment risk, liquidity risk, credit risk, default risk, tax risk, and event risk. Active management along the yield curve and appropriate sector selection add to performance.

### **Equity and Long-short Investing**

SAC's long-short equity strategy is designed to generate superior long-term returns while limiting market related volatility through strict adherence to a disciplined investment process. SAC employs a fundamental research oriented approach for its long-short strategy. We integrate macroeconomic, industry, and company-specific data in order to determine the intrinsic value of an investment. For long-short equity strategy accounts, SAC will often invest in a concentrated portfolio of long securities while also short selling securities that it believes to be overvalued based on several factors.

SAC identifies investment opportunities by following a fundamental, intensive research-driven process and selects investments from a wide range of potential investments. The investment approach does not discriminate or characterize its style as value, growth, GARP, etc. as SAC simply seeks to deliver superior investment returns over the long-term, regardless of economic climate. Similarly, SAC does not limit investments by market capitalization, geography, or sector except for constraints that are set by certain risk management parameters. SAC systematically sells securities within the Fund's portfolio when their valuation reaches levels that SAC determines incorporate overly optimistic future projections or when there is a negative fundamental change in a company's future earnings prospects.

The equity portfolio is expected to be comprised of a focused number of long & short investments from a broad universe of U.S. and international companies. SAC invests almost entirely in equity securities that are traded on U.S. exchanges, including REITs, but may invest in other securities or financial investments in its sole discretion. On occasion, SAC may also invest in equity call and put options. Other than securities borrowing associated with short sales, SAC does not generally intend to utilize financial leverage to enhance returns.

### **Active Management and Investment Performance Analysis**

Our performance analysts use a set of techniques to assess the "active return" or excess return attributable to a portfolio's performance relative to its predefined benchmark. In its simplest terms, the active return is the component of a portfolio's performance that arises from the fact that the portfolio is actively managed. Different kinds of performance attribution provide different ways of explaining the active return.

SAC's performance analysts attempt to distinguish the effect of our active investment decisions and the execution of those decisions across two factors of portfolio performance: 1) security selection and 2) market



timing. Specifically, our process compares the total return of the manager's investment strategies with the return for a predetermined benchmark.

There are two different kinds of decisions that our portfolio managers can make in an attempt to produce added value: 1) asset allocation across sectors and 2) security selection 3) factors that include macro-economic, duration decisions, industry selection, country selection, and state selection.

Our performance attribution and risk attribution analysis is meant to evaluate the effect of each type of controllable decision on the "active return" with the goal of balancing the portfolio in a way that minimizes risk and optimizes return.

## **Method of Analysis**

### **Developing a Macro Theme: A Global View**

SAC's Investment process begins with a top-down analytic process based on our analysis of a wide range of economic, political, and sentiment drivers over a 12-18 month time horizon.

An examination of economic indicators such as interest rates, inflation and employment, GDP growth rates, exchange rates, productivity, and energy prices are narrowed down to our regional/industry analysis. Regular Investment Committee meetings are held with key personnel to discuss how these themes may or may not apply over the next 3-12 month period. We will identify and forecast specific influencing factors, including interest rate volatility, yield curve movements, and credit trends. Together, our secular and cyclical outlooks set the economic parameters for our portfolio managers to target. These parameters help define, within a relative range, the duration, yield-curve positioning, sector weightings and credit quality unique to each investment strategy that we offer. Our bottom-up analysis, including credit and technical analysis, quantitative research, and individual issue selection are then combined with our top-down strategies to add value.

### **Research Process**

SAC evaluates potential investments based on a three stage investment process.

- 1) The initial stage involves utilizing a macro framework to identify economic factors which will impact market sectors and industries. After identifying target sectors and industries, preliminary investment research is conducted on the range of potential investments.
- 2) The second stage involves detailed industry and specific company analysis. The company analysis includes an exhaustive analysis of the target company's stated durable competitive advantage, management review, accounting and disclosure analysis, and valuation based upon its historical and future real cash earnings. This intensive research process may take anywhere from a week to several months.
- 3) The third stage involves evaluating investment proposals for inclusion in the portfolio. Based on SAC's analysts' detailed analysis, portfolio managers and analysts assess the investment opportunity at a research review meeting. Proposals are reviewed by the investment committee independently and an all-hands investment meeting is held to discuss merits and deficiencies. SAC's process requires that portfolio managers agree that the valuations, based on SAC's assessment is attractive enough to include a position in the client's portfolio.

### **Credit and Equity Analysis**

SAC generally seeks to invest in companies that exhibit the following characteristics:

- Share price is below fair value relative to its earnings power, providing a “margin of safety”
- Current earnings are within historic norms
- Management has a sound plan for earnings growth
- History of earning attractive long-term returns on capital invested
- Identifiable downside protection (e.g., hard assets, superior cost structures, intellectual property)
- 

### **Equity Short Sale Investment Analysis**

SAC typically sells short companies that operate in industries that have poor economic characteristics, are generating abnormally high earnings, and are trading at premiums to their historic key valuation metrics. SAC generally seeks to maintain a low portfolio turnover ratio for long investments with an expected median holding period of two to three years. Stocks sold short are expected to have a higher turnover ratio with a usual holding period of six to twelve months.

SAC generally seeks to sell short the securities of companies that exhibit the following characteristics:

- Have fundamentally flawed business models
- Operate in industries that have poor long term return on invested capital
- More process-focused than product oriented
- Produce commodity-like products or services, where price is the dominant purchasing decision
- Pricing is deflationary in nature rather than inflationary
- Generating abnormally high earnings and trading at or near peak multiples relative to trends
- Where there has been significant insider selling

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promise that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Recommendation of Particular Types of Securities**

As disclosed under the “Advisory Business” section in this Brochure, we recommend all types of securities and we do not necessarily recommend one particular type of security over another since each client has different needs and different risk tolerance. Each type of security 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 each type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

## **Type of Risks Associated with Methods of Analysis and SAC Investment Strategies that may result in**

### **Risk of Loss:**

- 1) **Management Risk** – Investments also vary with the success and failure of the investment strategies, research, analysis and determination of portfolio securities. If our strategies do not produce the expected returns, the value of your investments will decrease.
- 2) **Macro Risk** - Economic/business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions. The lengths of the economic cycles may be difficult to predict with accuracy; therefore, the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.
- 3) **Non-Investment Risk Factors** - We may use investment strategies that involve frequent buying and selling of securities in an effort to capture significant market gains and avoid significant losses during a volatile market. Upon consultation with our clients, we may also sell securities to create other economic advantages, such as ‘harvesting’ tax credits for high net worth individuals who need to offset significant gains in their investment portfolios.
- 4) **Fixed Income Risk** – Investing in bonds involves the risk that the issuer will default on the bond and be unable to make payments. In addition, individuals depending on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- 5) **Interest-Rate Risk** - Duration measures a portfolio’s price sensitivity to changes in interest rates. However, it is only an accurate predictor of price for small, parallel shifts in the yield curve. For a small, parallel interest-rate fluctuation, the percentage change in a bond’s price is approximately equal to its duration multiplied by the size of the shift. For example, a portfolio with 2-year duration would be expected to go up in price by 2 basis points for every 1 basis point drop in interest rates.
- 6) **Yield Curve Risk** - Yield Curve Risk refers to having exposure to the curve that is different than the index and is measured by duration exposure. Yield curve risk gauges price exposure to non-parallel shifts in the yield curve. SAC can actively manage maturity and duration risk using a variety of different asset, sector and security allocations in the portfolio to leverage maturity and duration strategies for example: i) Barbell portfolios with short and long securities that will typically outperform bulleted portfolios if the yield curve flattens (spreads of long rates narrow relative to short rates), and vice-versa. ii) Duration neutral portfolios can have the same duration as the index but be exposed to different parts of the curve using positively convex securities (bullet securities) on the longer end of the curve for roll down and reduced price risk and use negatively convex securities on the shorter end of the curve to boost yield. iii) Duration classifications that sort the portfolio or benchmark into “duration buckets” are analyzed relative to the benchmark stated in the IPS. This process allows the manager greater insight into the nature of a security, portfolio or strategy exposure along the yield curve.
- 7) **Fundamental Analysis** - Fundamental analysis involves analyzing individual companies and their industry groups, such as a company’s financial statements, details regarding the company’s product line, the experience and expertise of the company’s management, and the outlook for the company’s industry.

The resulting data is used to measure the true value of the company's bond or equity compared to the current market value. It also involves analyzing individual municipal bond issues, their sectors and issuers. Financial factors that can contribute to the credit risk are employment trends, tax receipts, debt load versus personal income, pension liabilities, labor costs, debt service coverage, cost exposures, and asset valuation. Non-financial factors that can affect the credit risk for other non-corporate type securities in particular municipal bonds are budgetary process, mood of electorate, tax flexibility, regional economic trends, essentiality of service, competition and management.

- 8) **Sector Risk** - SAC measures sector risk exposure within the portfolios and relative to the stated benchmark. In most cases sector selection is driven by spread relationships on a relative yield and duration basis to the treasury curve using current and historical trends. Asset classes such as mortgages and corporate security need to be calculated and analyzed separately because different factors impact spreads in those sectors, and therefore, they can behave differently from one and other. Similarly, spreads of differently rated bonds do not move in perfect synch, so corporate spreads and their durations need to reflect current market conditions.
- 9) **Credit Risk Associated to Ratings** - SAC portfolio managers use a bottom up process that focuses heavily on issuer and issue analysis. We rely on in-house and industry research, rather than just rating agencies, for assessing credit risk.
- 10) **Trading Risk** - We may also use short-term trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s). Short-term trading is not a fundamental part of our overall investment strategy, but we may use this strategy occasionally when we determine that it is suitable given your stated objectives and tolerance for risk.
- 11) **ETF and Mutual Fund Risk** – ETF and mutual fund investments bear additional expenses based on a pro-rata share of operating expenses, including potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities held by the ETF or mutual fund. Clients also incur brokerage costs when purchasing ETFs.
- 12) **Concentration of Investments** - SAC is not restricted in the amount of its capital that it may commit to any single security, geographic region, industry, sector or market, and at times may hold a relatively large concentration in a particular security, geographic region, industry, sector or market. Losses incurred in those positions could have a material adverse effect.
- 13) **Risk of Default or Bankruptcy of Third Parties** - SAC intends to engage in transactions in securities and financial instruments that involve counterparties. Under certain conditions, a strategy could suffer losses if counterparty to a transaction were to default or if the market for certain securities and/or financial instruments were to become illiquid. In addition, a portfolio could suffer losses if there were a default or bankruptcy by certain other third parties, including brokerage firms and banks or to which securities have been entrusted for custodial purposes. For example, if one of the brokers or custodians were to become insolvent or file for bankruptcy, a portfolio could suffer significant losses with respect to any securities held by such firm.

- 14) **Equity Securities** - SAC may from time to time trade in both listed securities that are traded on a securities exchange and unlisted securities that are traded over-the-counter. The volume of trading in unlisted securities is generally less than that found on securities exchanges. Therefore, it may be more difficult to buy and sell these securities, which increases the volatility of their share prices. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of issuers, the market in which such companies compete as well as market conditions and general economic environments.
- 15) **Short Sales** - A short sale involves the sale of a security that a portfolio or fund does not own in the expectation of purchasing the same security (or a security exchangeable therefor) at a later date at a lower price. A short sale involves the risk of a theoretically unlimited increase in the market price of the security that would result in a theoretically unlimited loss to a portfolio or fund. The extent to which the Fund will engage in short sales will depend upon our current trading strategy and perception of market direction.
- 16) **REITs** - The activity of identifying, completing and realizing attractive real estate investments has from time to time been highly competitive, and involves a high degree of uncertainty. REITs are also subject to many of the same risks involved in direct ownership of real estate. For example, the value of real estate could decline due to a variety of factors affecting the real estate market generally, such as overbuilding, increases in interest rates, or declines in rental rates. Equity REITs may be affected by changes in the value of the underlying property owned by the REITs, while mortgage REITs may be affected by the quality of any credit extended. REITs are dependent upon the management skills of their managers, are typically not diversified, and are subject to heavy cash flow dependency, default by borrowers and self-liquidation. REITs are also subject to the possibilities of failing to qualify for tax-free pass-through of income under the Internal Revenue Code of 1986, as amended, and failing to maintain their exemptions from registration under the Investment Company Act of 1940, as amended.
- 17) **Closed End Funds** - Closed end funds may be used as a mechanism to gain or hedge exposure to certain types of investments in a manner that is more efficient than direct investments or other securities. However, due to the fact that closed end funds very often trade at discounts, there is no assurance that SAC will be able to achieve the same effectiveness as direct investments.
- 18) **Hedging Transactions** - SAC is not required to attempt to hedge portfolio positions in our long/short equity strategies for various reasons, may determine not to do so. Furthermore, SAC may not anticipate a particular risk so as to hedge against it. While the strategy may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance than if it had not engaged in any such hedging transaction. For a variety of reasons, SAC may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent from achieving the intended hedge or expose the strategy to risk of loss. The success of the hedging strategies is subject to SAC's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the positions in the portfolios being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the hedging strategy is also subject to SAC's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner.

- 19) **Derivatives Generally** - Derivative instruments, or “derivatives,” include options, futures, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. There is no assurance that derivatives that SAC may trade, directly or indirectly will be available at any particular times upon satisfactory terms or at all.
- 20) **Forward Trading** - The long/short strategy may engage, directly or indirectly, in forward trading. Forward contracts (including foreign exchange) and options thereon are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated -- there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration, which could result in substantial losses to the Fund.
- 21) **Futures** - The long/short equity strategy may trade, directly or indirectly, futures. SAC is not registered with the CFTC as a commodity pool operator or commodity trading advisor. However, SAC and the fund may trade, directly or indirectly, a limited amount of futures contracts for the Fund without so registering in reliance on an exemption from registration under CFTC Rule 4.13(a)(3). As a result, unlike a registered commodity pool operator or commodity trading advisor, SAC will not be required to deliver a disclosure document and annual report to limited partners, and will not be subject to certain other disclosure and recordkeeping rules applicable to registered entities.
- 22) **Leverage** - Leverage is the use of borrowed funds for investment. Such borrowed funds would generally be obtained by using securities the Fund owns as collateral. Leverage may also be obtained through other means including the use of derivative instruments. To the extent the Fund purchases securities with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. If the interest expense on borrowings were to exceed the net return on the portfolio securities purchased with borrowed funds, the portfolio or fund’s use of leverage would result in a lower rate of return than if they were not leveraged. If the amount of at any one time is large in relation to its capital, fluctuations in the market value of the fund or portfolio will have a disproportionately large effect in relation to its capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains made with the additional monies borrowed will generally cause the value of the assets to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the additional monies fails to cover their cost the value of the portfolio or fund’s assets will generally decline faster than would otherwise be the case. The amount of any borrowing may also be limited by regulations imposed by the Federal Reserve Board or by the availability and cost of credit. If, due to market fluctuations or other reasons, the value of the Fund’s assets should fall below required regulatory levels, the Fund will be required to reduce its debt by selling securities in its long portfolio.

## **Item 9 – Disciplinary Information:**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of SAC or the integrity of SAC's management. SAC has had no legal or disciplinary actions or information applicable to this item.

## **Item 10 – Other Financial Industry Activities and Affiliations:**

Smith Affiliated Capital's holding company Smith Affiliated Ventures LLC (SAV) owns 51% position in PortSmith Capital Partners LLC, a Delaware Limited Liability Company. PortSmith Capital Fund L.P. is owned by the partnership where SAV is a General Partner in the Fund.

SAC has adopted a Code of Ethics that was written and implemented in an effort to ensure no potential conflict results in unfair treatment of any client account. To obtain a copy of the Code of Ethics, please contact John Smith, CIO/COO at [jsmith@smithcapital.com](mailto:jsmith@smithcapital.com) or [infor@smithcapital.com](mailto:infor@smithcapital.com) ; 212-644-9440.

- American Association of State Comp Insurance Fund (AASCIF)
- NY Analyst Club
- Association of Benefit Administrators (ABA)
- Chartered Financial Analyst Institute (CFA)
- Connecticut Public Pension Forum (CPPF)
- Downtown Economists of New York City
- Economic Club of NY
- Fixed Income Analyst Society, Inc. (FIASI)
- Healthcare Financial Management Association (HCMA)
- International Foundation of Employee Benefit Plans (IFEBP)
- Investment Adviser Association (IAA)
- Municipal Analysts Group of NY (MAGNY)
- National Federation of Municipal Analysts (NFMA)
- Municipal Bond Club
- Municipal Forum of NY
- National Association for Business Economics (NABE)
- National Economists Club (NEC)
- Native American Finance Officers Association (NAFOA)
- New York Association for Business Economics (NYABE)
- New York Society of Security Analysts (NYSSA)
- NYS Government Finance Officers Association (NYS GFOA)
- Vermont Captive Insurance Association (VCIA)

## **Item 11 – Code of Ethics”**

### **Description of Our Code of Ethics**

SAC has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at SAC must acknowledge the terms of the Code of Ethics annually, or as amended.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting John K. Smith, COO at (212) 644-9440 or [jsmith@smithcapital.com](mailto:jsmith@smithcapital.com).

### **Participation or Interest in Client Transactions**

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

### **Personal Trading Practices**

SAC anticipates that, in appropriate circumstances, consistent with clients’ investment objectives, it will cause accounts over which SAC has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which SAC, its affiliates and/or clients, directly or indirectly, have a position of interest. SAC’s employees and persons associated with SAC are required to follow SAC’s Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of SAC and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for SAC’s clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of SAC will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of SAC’s clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between SAC and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with SAC's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. SAC will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.



## **Agency Cross Transactions**

It is SAC's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. SAC will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting John K. Smith, COO at (212) 644-9440 or [jsmith@smithcapital.com](mailto:jsmith@smithcapital.com).

## **Item 12 – Brokerage Practices:**

We maintain relationships with several broker-dealers. While you are free to choose any broker-dealer or other service provider, we recommend that you establish an account with a brokerage firm with which we have an existing relationship.

Such relationships may include benefits provided to our firm, including but not limited to, research, market information, and administrative services that help our firm manage your account(s). We believe that recommended broker-dealers provide quality execution services for our clients at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by recommended broker-dealers, including the value of research provided the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services recommended broker-dealers provide, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

SAC has established the following criteria to consider when assessing the quality of a particular broker-dealer:

- The commission rates charged by the broker in comparison to the charges of other brokers for similar transactions;
- Direct access to the broker's trading desk and the familiarity of the contact person with the adviser's business and interests;
- The extensiveness of the broker's distribution network and its ability to fulfill more difficult orders (e.g., thinly-traded or limited-availability securities);
- The ability of the broker to maintain confidentiality while executing trades to prevent the disclosure of an adviser's investment strategy or the details of an order in a way that will adversely affect the market price;
- The broker's execution abilities, including the level of accuracy in executing orders, speed of execution, and ability to obtain best net price;
- The broker's communications and administrative abilities, including efficiency of reporting, settlement

- efficiency, and proper correction of trade errors;
- The broker's research capabilities and ability to provide market information;
- The extent to which the broker provides the adviser with access to companies through trade shows, conferences or other contacts;
- The quality and flexibility of any custodial services provided by the broker; and
- The financial stability of the broker.
- The procedures may include a discussion of whether and under what circumstances the adviser will use ECNs.

### **Research and Other Soft Dollar Benefits**

SAC does not employ the use of soft dollar practices.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Directed Brokerage**

In limited circumstances, and at our discretion, some clients may instruct our firm to use one or more particular brokers for the transactions in their accounts. If you choose to direct our firm to use a particular broker, you should understand that this might prevent our firm from aggregating trades with other client accounts or from effectively negotiating brokerage commissions on your behalf. This practice may also prevent our firm from obtaining favorable net price and execution. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

### **Block Trades**

We combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

## **Item 13 – Review of Accounts:**

Smith Affiliated Capital monitors your accounts on a continuous basis and conducts regular account reviews to ensure that the advisory services provided to you and/or the portfolio mix are consistent with your current investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to: contributions and withdrawals, year-end tax planning, market moving events, security specific events, and/or, changes in your risk/return objectives. We will provide you with monthly and

quarterly reports and you should receive trade confirmations and monthly or quarterly statements from your account custodian(s). Clients may request interim reviews at any time to discuss their investment account. SAC encourages clients to review their investment strategy and update SAC when changes occur in their investment objectives.

## **Item 14 – Client Referrals and Other Compensation:**

SAC utilizes the services of third party solicitors for introducing SAC to potential new clients. The solicitor is an “independent contractor” and not an officer, employee, agent or partner of SAC. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. The Solicitation agreement executed with the solicitor or introducing party is negotiated prior to any introduction to a new client. If you were referred to our firm by a Solicitor, you should have received a copy of this brochure along with the Solicitor's disclosure statement at the time of the referral. A “Solicitation Agreement” is executed in accordance and consistent with the requirements of the Investment Advisors Act of 1940. Specifically, the required Advisor's Disclosure Statements by the Advisors Act Rule 204-3 and the Solicitor's Disclosure Statement required by the Advisors Act Rule 206(4) -3. The solicitor agrees to obtain and promptly forward to SAC prior to the time SAC enters into an advisory contract, The Solicitor's Disclosure Statement and the Acknowledgement of Receipt of these statements, signed and dated by each potential new client.

If you become a client, the Solicitor that referred you to our firm will receive a percentage of the advisory fee you pay our firm, the terms of which will be governed by the agreement between our firm and the Solicitor. You will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements. We request that our Solicitors disclose to you whether multiple referral relationships exist and that comparable services may be available from other advisers for lower fees and/or where the Solicitor's compensation is less favorable.

## **Item 15 – Custody**

SAC is deemed to have custody of client assets since SAC serves as Advisor to a limited partnership where an affiliate of the Advisor is the general partner. In this role, SAC has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. The PortSmith Capital Fund's assets are held in custody by unaffiliated broker-dealers or

banks acting in the capacity of “qualified custodians” pursuant to the Advisers Act. Account statements related to the Fund are sent monthly by the fund administrator to investors. The Fund distributes its annual audited financial statements to investors within 120 days of their fiscal year-end. We urge investors to carefully review the audited financial statements of the Fund.

Smith Affiliated Capital beyond the PortSmith Capital Fund L.P. does not otherwise have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. Only stipulated by you the client in your contract, your custodian may act as the paying agent for our firm. Your independent custodian will directly debit your account(s) for the payment of our advisory fees. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. We will also provide statements to you reflecting the amount of advisory fee deducted from your account. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. You should carefully review account statements for accuracy. We will also provide statements to you reflecting the amount of advisory fee deducted from your account.

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client’s investment assets. SAC urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion:**

In most instances, accounts are managed on a fully discretionary basis. Clients are generally required to enter into an investment management agreement (“IMA”) prior to the establishment of an account with SAC. SAC will not enter into an investment management agreement with any prospective client whose investment objectives, guidelines, and restrictions are deemed incompatible with SAC’s basic investment philosophy or strategies, or if the prospective client’s investment objectives, guidelines, and restrictions are deemed unduly restrictive.

When selecting securities and determining amounts, SAC observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, SAC’s authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made. Investment guidelines and restrictions must be provided by a client or prospective client to SAC in writing.

SAC’s investment committee’s responsibility is to articulate the firm’s investment strategy relating to the macro economic factors affecting the financial markets as a whole. The interest rate outlook, sector positioning and yield curve strategy, security selection, and execution are a combined process of the committee and the portfolio managers. Goals are then established by composite product categories, which the portfolio managers interpret for each client’s operating needs and cash position.

## Item 17 – Voting Client Securities:

### **Summary of Proxy Voting Policies and Procedures**

Investment Advisors Act of 1940 Rule 206(4)-6 imposes a number of requirements on investment advisers that have voting authority with respect to securities held in their clients' accounts. The SEC states that the duty of care requires an adviser with proxy voting authority to monitor corporate actions and to vote the proxies. To satisfy its duty of loyalty, an adviser must cast the proxy votes in a manner consistent with the best interest of its clients, and must never put the adviser's own interests above those of its clients.

We will not vote proxies on behalf of our advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder. In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies. Upon request SAC sometimes votes proxies as part of its discretionary authority to manage accounts, depending on the clients' request. When voting proxies, SAC primary objective is to make voting decisions solely in the best economic interests of its clients. SAC will act in a manner that it deems prudent and diligent and which is intended to enhance the economic value of the underlying securities held in clients' accounts.

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# O'CONNOR DAVIES

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## Independent Auditors' Report

The Shareholder and Board of Directors of  
Smith Affiliated Capital Corp.

We have audited the accompanying financial statements of Smith Affiliated Capital Corp., (the "Company"), a wholly-owned subsidiary of Smith Affiliated Ventures, LLC, which comprise the statement of financial position as of December 31, 2014 and 2013, and the related statements of operations and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Smith Affiliated Capital Corp. as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*b W, W*

June 5, 2014

O'CONNOR DAVIES, LLP

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O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

## **Additional Information:**

### **Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact our office at the telephone number on the cover page of this brochure if you have any questions regarding this policy.

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May 2, 2011  
Updated March 31, 2015

**This Brochure Supplement provides information about Robert G. Smith that supplements the Smith Affiliated Capital Brochure. You should have received a copy of that Brochure. Please contact John K. Smith (212) 644 - 9440 if you did not receive Smith Affiliated Capital's Brochure or if you have any questions about the contents of this supplement. Additional information about Robert G. Smith is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Educational Background and Business Experience:**

Name: Robert G. Smith
Year of Birth: 1932
Formal Education after HS and any business related associations that you belong to: <a href="#"><b>New York University Graduate School of Business Administration</b></a> , New York, New York <i>Ph.D., Economics</i>  Chartered Financial Analyst (CFA) National Association of Economists (NABE) Government Finance Officer Association (GFOA) Native American Finance Officers Association (NAFOA) Municipal Analyst Group of New York (MAGNY) New York Society of Security Analyst (NYSSA) Connecticut Public Pension Forum (CPPF) Association of Benefit Administrators, Inc. (ABA) Healthcare Financial Management Association (HFMA)



Last 5 years business experience with Title:

Chairman and CEO of Smith Affiliated Ventures

Chairman and CEO of Smith Affiliated Capital. Dr. Smith is an influential political economist who applies macro-economic fundamentals to separate-account portfolio management. Dr. Smith founded and registered Smith Affiliated Capital in 1982 to design, implement, and manage fixed-income strategies for institutions, endowments, foundations, high net worth individuals, and their families.

**Disciplinary Information:**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this section.

**Other Business Activities:**

No information is applicable to this section.

**Additional Compensation:**

No information is applicable to this section.

**Supervision:**

We have established written procedures and maintained a system to supervise the activities of each registered representative and other associated persons that is reasonably designed to achieve compliance with applicable securities laws and regulations. Our supervision is done through weekly and monthly meetings, where decisions are made by consensus in the Investment Committee and implemented by the portfolio managers. Goals are then established by composite product categories, which the portfolio managers interpret for each client's operating needs and cash position. Client reviews are undertaken during those monthly meetings using a file review format which tests that the advice is given competently and client matters have progressed. The supervisors must review a preset number of separate client files each month for each adviser under supervision.

Names of supervising personnel are:

Matthew J. Smith, President, (646) 825-2107

Maria E. Smith, Chief Executive Officer, (646) 825-2124

John K. Smith, Chief Compliance Officer, (646) 825-2121

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Updated March 31, 2015

**This Brochure Supplement provides information about Maria E. Smith that supplements the Smith Affiliated Capital Brochure. You should have received a copy of that Brochure. Please contact John K. Smith (212) 644 - 9440 if you did not receive Smith Affiliated Capital's Brochure or if you have any questions about the contents of this supplement. Additional information about Maria E. Smith is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Educational Background and Business Experience:**

Name: Maria E. Smith
Year of Birth: 1958
Formal Education after HS and any business related associations that you belong to: <b><u>Baruch College CUNY- Zicklin School of Business</u></b> , New York, New York <i>Master of Business Administration, May 2006</i>  <b><u>MaryMount Manhattan College</u></b> , New York, New York <i>Bachelors of Arts Degree, Business Administration, Cum Laude, May 1997</i>  Government Finance Officer Association (GFOA) Native American Finance Officers Association (NAFOA) Municipal Analyst Group of New York (MAGNY) New York Society of Security Analyst (NYSSA) Connecticut Public Pension Forum (CPPF) Association of Benefit Administrators, Inc. (ABA)

Last 5 years business experience with Title:

Chief Executive Officer/Managing Director – Smith Affiliated Capital  
Managing Director – Risk Assessment – Maria Smith founded Intuitive Strategies Consulting LLC in 2004, an independent consulting firm specializing in strategic business development, operational risk management, and forensic (after-the-fact) and expert-witness consulting. Her clients include businesses and individuals from the following industries: financial service, investment advisory, real estate, technology and information management, marketing, healthcare, and social media. During her career, Maria has held several key board positions with the Investment Advisor Association in Washington, DC, and as a member of the Global Investment Performance Standards (GIPS) Board for the CFA Institute, where she actively participated with regulators and industry professionals in developing global performance standards for the investment industry.

**Disciplinary Information:**

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Names of supervising personnel are:

Dr. Robert G. Smith, Chairman, (646)825-2100

John K. Smith, Chief Compliance Officer, (646) 825-2121

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May 2, 2011  
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#### **Educational Background and Business Experience:**

Name: Matthew J. Smith
Year of Birth: 1970
Formal Education after HS and any business related associations that you belong to: M.A./CMO, Case Western Reserve University, 1994 B.A., Case Western Reserve University, 1992  Affiliate member of NYSSA Member of VCIA
Last 5 years business experience with Title: 2009 to Present: President/Chief Investment Officer, Smith Affiliated Capital 2005: Executive VP of Enhanced Fixed Income, Smith Affiliated Capital

**Disciplinary Information:**

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Maria E. Smith, Chief Executive Officer, (646) 825-2124

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**Educational Background and Business Experience:**

Name: John K. Smith
Year of Birth: 1954
Formal Education after HS and any business related associations that you belong to: B.S., State University of New York at Stony Brook MSCE, CAN, CCP
Last 5 years business experience with Title: Titles: CCO - (Chief Compliance Officer): I am primarily responsible for overseeing and managing compliance issues within our organization. DIT - (Director of Information Technology): I am involved with driving the analysis and re-engineering of existing business processes, identifying and developing the capability to use new tools, reshaping the enterprise's physical infrastructure and network access, and with identifying and exploiting the enterprise's knowledge resources.

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**Educational Background and Business Experience:**

Name: Jiang Peng
Year of Birth: 1972
Formal Education after HS and any business related associations that you belong to: B.A., English Literature, Guangzhou University of Foreign Languages, 1989-1993 M.A., Economics, City College, City University of New York, 1995-1997 Member of CFA Institute, NYSSA, The Chinese Finance Association CFA Charter Holder
Last 5 years business experience with Title: Executive Vice President/Co-CIO Fixed Income Investing Portfolio Manager - Smith Affiliated Capital Managing Core Fixed Income portfolios against Barclays Aggregate, Government/Credit and Government index. Lead the efforts of SAC in Credit Research.



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May 2, 2011  
Updated March 31, 2015

**This Brochure Supplement provides information about Paul J. Matus that supplements the Smith Affiliated Capital Brochure. You should have received a copy of that Brochure. Please contact John K. Smith (212) 644 - 9440 if you did not receive Smith Affiliated Capital's Brochure or if you have any questions about the contents of this supplement. Additional information about Paul J. Matus is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Educational Background and Business Experience:**

Name: Paul J. Matus
Year of Birth: 1951
Formal Education after HS and any business related associations that you belong to: B.A., Psychology, Washington Square College, New York University M.B.A., Finance, Graduate Business School, New York University  Member, Municipal Analysts Group of New York Member, Municipal Bond Club of New York
Last 5 years business experience with Title: Vice President, Portfolio Manager, Director of Tax-Exempt Investments Smith Affiliated Capital

**Disciplinary Information:**

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May, 2011  
Updated – March 31, 2015

**This Brochure Supplement provides information about Erwin Tonogbanua that supplements the Smith Affiliated Capital Brochure. You should have received a copy of that Brochure. Please contact John K. Smith (212) 644 - 9440 if you did not receive Smith Affiliated Capital's Brochure or if you have any questions about the contents of this supplement. Additional information about Erwin Tonogbanua is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Educational Background and Business Experience:**

Name: Erwin D. Tonogbanua
Year of Birth: 1976
Formal Education after HS and any business related associations that you belong to: B.S., Stern School of Business, New York University, 1997 Majors: Finance/International Business  Professional Affiliations/Licenses: Series 63, Series 65, CFA Level I Candidate  MAGNY (Municipal Analysts Group of New York) NYSSA (New York Society of Security Analysts)
Last 5 years business experience with Title: Vice President/Portfolio Manager Manage Limited Duration and Short Municipal Portfolios - emphasis on Portfolios with Duration Limits of 5 years and in.

**Disciplinary Information:**

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John K. Smith, Chief Compliance Officer, (646) 825-2121

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[www.smithcapital.com](http://www.smithcapital.com)

Updated March 31, 2015

**This Brochure Supplement provides information about Jerry A. Miller that supplements the Smith Affiliated Capital Brochure. You should have received a copy of that Brochure. Please contact John K. Smith (212) 644 - 9440 if you did not receive Smith Affiliated Capital's Brochure or if you have any questions about the contents of this supplement. Additional information about Robert G. Smith is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

#### **Educational Background and Business Experience:**

Name: Jerry A. Miller
Year of Birth: 1965
Formal Education after HS and any business related associations that you belong to: <b><u>PACE UNIVERSITY</u></b> , Pleasantville, New York <b><i>B.B.A., Finance</i></b>  New York Society of Security Analyst (NYSSA)
Last 5 years business experience with Title: Vice President/Portfolio Manager of M.D. SASS INVESTOR SERVICES, INC., New York, NY

**Disciplinary Information:**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this section.

**Other Business Activities:**

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**Additional Compensation:**

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John K. Smith, Chief Compliance Officer, (646) 825-2121

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[www.smithcapital.com](http://www.smithcapital.com)

Updated March 31, 2015

**This Brochure Supplement provides information about Christopher Gildea that supplements the Smith Affiliated Capital Brochure. You should have received a copy of that Brochure. Please contact John K. Smith (212) 644 - 9440 if you did not receive Smith Affiliated Capital's Brochure or if you have any questions about the contents of this supplement. Additional information about Robert G. Smith is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Educational Background and Business Experience:**

Name: Christopher Gildea
Year of Birth: 1969
Formal Education after HS and any business related associations that you belong to: <b>BS Degree at BOSTON COLLEGE, JD Degree at SUFFOLK LAW SCHOOL, Boston, MA., MBA at KRANNERT SCHOOL OF MANAGEMENT - Purdue University</b> New York Society of Security Analyst (NYSSA) 22 Years experience ov Investment management and corporate finance experience



Last 5 years business experience with Title:

Managing Member of Merit Investment Management and Merit Investment Partners, LLC in Phil, PA.

**Disciplinary Information:**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this section.

**Other Business Activities:**

No information is applicable to this section.

**Additional Compensation:**

No information is applicable to this section.

**Supervision:**

We have established written procedures and maintained a system to supervise the activities of each registered representative and other associated persons that is reasonably designed to achieve compliance with applicable securities laws and regulations. Our supervision is done through weekly and monthly meetings, where decisions are made by consensus in the Investment Committee and implemented by the portfolio managers. Goals are then established by composite product categories, which the portfolio managers interpret for each client's operating needs and cash position. Client reviews are undertaken during those monthly meetings using a file review format which tests that the advice is given competently and client matters have progressed. The supervisors must review a preset number of separate client files each month for each adviser under supervision.

Names of supervising personnel are:

Matthew J. Smith, President, (646) 825-2107

Maria E. Smith, Chief Executive Officer, (646) 825-2124

John K. Smith, Chief Compliance Officer, (646) 825-2121