

## ITEM 1: COVER PAGE

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CAZ INVESTMENTS

*Access to Innovative Investing*

# Disclosure Brochure

March 31, 2015

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Houston, TX 77056  
[www.cazinvestments.com](http://www.cazinvestments.com)

This Brochure provides information about the qualifications and business practices of CAZ Investments LP ("CAZ"). If you have any questions about the contents of this Brochure, please contact CAZ at 713-403-8250 or [www.cazinvestments.com](http://www.cazinvestments.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about CAZ Investments LP also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2: MATERIAL CHANGES

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Effective September 30, 2014, Jay Van Ert resigned from his role as Chief Compliance Officer (“CCO”) of CAZ Investments LP (“CAZ”) to focus his efforts on his role as CAZ’s Managing Director – Alternative Investments. Isaiah Massey assumed the CCO role upon the resignation of Mr. Van Ert.

No other material changes have occurred since CAZ’s last filing.

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## **ITEM 4: ADVISORY BUSINESS**

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### **Firm Description**

CAZ, a Texas limited partnership, is an investment advisory firm registered with the U.S. Securities and Exchange Commission pursuant to the requirements under the Investment Advisors Act of 1940, as amended. CAZ was founded in 2001 by its General Partner, CAZ Investments LLC, a Texas limited liability company; of which, Christopher A. Zook is the majority owner and Chairman.

As of December 31, 2014, CAZ managed approximately \$437,700,000 across 1,014 accounts on a discretionary basis and approximately \$6,300,000 across 18 accounts on a non-discretionary basis.

### **Advisory Services**

CAZ offers advisory services broken into two primary categories: 1) the management of accounts held by a singular investor, whether an individual or an investment entity, which we refer to as a separately managed account and 2) the management of co-mingled, private, investment funds.

### **Separately-Managed Accounts (“SMA”)**

To meet the investment needs and objectives of its clients, CAZ may manage individually-held accounts in a number of ways. For some clients, CAZ may manage only one type of asset class within a larger portfolio. For example, a client may have a diversified account over which CAZ may only exercise discretionary authority over large-cap equities.

For most individual clients, however, CAZ may provide more extensive services by managing the entirety of an investment portfolio across multiple asset allocations; such as government bonds, corporate bonds, high yield bonds, municipal bonds, preferred stocks, master limited partnerships and real estate investment trusts, meant to achieve a “balanced” portfolio. In certain circumstances, SMA clients may also be recommended to invest in one or more of CAZ’s private funds.

Client goals and objectives are assessed individually and are defined by rate of return expectations, volatility tolerance, and diversification goals. CAZ will also manage accounts according to clients’ individual limitations or restrictions.

The imposition of restrictions or limitations on a SMA portfolio may result in investment performance results and account volatility that could be materially different than that experienced by client accounts without such restrictions or limitations. Such material difference for restricted SMA portfolios may be to the advantage or to the disadvantage of such restricted accounts relative to fully-discretionary or unrestricted accounts.

CAZ currently manages the following portfolios.

#### ***Cornerstone Portfolio***

The investment objective of the Cornerstone Portfolio is to exceed the return of the S&P 500 over a full market cycle with a similar risk profile. This long-only approach is intended to provide a solid foundation for a diversified common stock portfolio. The Cornerstone Portfolio is managed as a separate account and

typically owns approximately 40 - 50 large capitalization, U.S.-based securities from multiple economic sectors of the market. Client portfolios following the Cornerstone Portfolio tend to be fully invested during all phases of a market cycle. Portfolio turnover is monitored to address tax efficiency.

### ***Concentrated Cornerstone Portfolio***

The investment objective of the Concentrated Cornerstone Portfolio is to increase principal value. This long-only approach is focused on absolute performance with a higher risk profile than the overall market. The Concentrated Cornerstone Portfolio does not necessarily expect to outperform specific benchmark indexes. The Concentrated Cornerstone Portfolio is managed as a separate account and typically owns approximately 15 - 30 stocks that represent compelling value and timely near term price appreciation prospects from the list of 40 - 50 large capitalization, U.S.-based securities owned in the Cornerstone Portfolio. Cash reserves invested in money market funds or other cash equivalent investment are allowed to rise and fall when/as our perception of common stock investment opportunities fluctuates. Due to the number of holdings in the Concentrated Cornerstone Portfolio, the portfolio tends to be more concentrated or focused with investment allocations to individual securities and to major economic sectors of the market than the Cornerstone Portfolio. Portfolio turnover generally is more active than in the Cornerstone Portfolio.

### ***Tactical Growth and Income Portfolio***

The investment objective of the Tactical Growth and Income Portfolio is to grow principal value and to generate a slightly higher stream of income for investors. This long-only approach is focused more on absolute performance with a slightly lower risk profile than the overall market. CAZ does not necessarily expect to outperform specific benchmark indexes. The Tactical Growth and Income Portfolio is managed as a separate account and typically owns approximately 15 - 30 common stocks that represent compelling value and timely near term price appreciation prospects from the list of 40 - 50 large capitalization, U.S.-based stocks already owned in the Cornerstone Portfolio. In addition, the Tactical Growth and Income Portfolio will invest in other income producing asset classes such as preferred stocks, bonds, real estate investment trusts (“REITs”) and publicly-traded master limited partnerships (“MLPs”). Due to the number of holdings and the use of industry-focused asset classes (e.g., REITs and MLPs) in the Tactical Growth and Income Portfolio, the portfolio tends to be more concentrated or focused with investment allocations to individual securities and to major economic sectors of the market than the Cornerstone Portfolio. Portfolio turnover generally is more active than in the Cornerstone Portfolio.

### ***Focused Long Duration Portfolio***

The investment objective of the Focused Long Duration Portfolio (“FLD”) is to achieve capital appreciation with low portfolio turnover with significant tax efficiency. The portfolios will own between 5-20 common stocks which will have the goal of being held through one complete market cycle (~5 years). These portfolios seek to invest in companies with high return on invested capital, strong balance sheets, and that demonstrate high cash flow growth.

### ***Fixed Income Accounts***

CAZ offers Fixed Income Accounts to clients, when necessary, to meet specific client fixed income objectives and goals that are not readily met by any other investment products, or combination thereof, listed above. Fixed Income Accounts may include a greater use of corporate bonds, municipal bonds, and preferred stock.

### ***Balanced Accounts***

CAZ offers Balanced Accounts to clients based upon their specific investment objectives, goals and guidelines. Balanced Accounts typically combine multi-asset classes, such as stocks and bonds, in one portfolio. Various investment asset classes are combined to target forecasted rate of return, volatility or risks, and dividend and interest income cash flow for the portfolio.

### ***Advisory Accounts***

CAZ offers Advisory Accounts to clients, when necessary, to meet specific client objectives and goals that are not readily met by any other investment products, or combination thereof, listed above. Advisory Accounts may include a greater use of investment company securities (e.g., mutual funds), exchange traded funds, or sub-advised SMAs.

### ***Sub-Advisory Relationships***

CAZ may from time-to-time enter into sub-advisory agreements with other registered investment advisers for the benefit of specific clients. Such sub-advisory agreements are normally established to fulfill specific asset class mandates required by the respective client in their statement of goals and objectives. Under these agreements, a portion of the advisory fees paid to CAZ will be shared with the sub-advisors. CAZ will periodically either perform due diligence reviews or review due diligence reports provided on the sub-advisory firm. CAZ will maintain executed agreements for these arrangements on file. The fee schedules and account minimums vary by sub-advisor. Such sub-advisory fees may be negotiated with the sub-advisor from time-to-time by CAZ. When such sub-advisory arrangements are made, the sub-advisory arrangement will be disclosed by CAZ to clients by delivery of the Form ADV Part 2 for CAZ and the sub-advisory firm.

## **Private Funds**

CAZ also manages special-purpose, co-mingled private investment funds. These private funds are intended to complement longer-term investors' core holdings, are typically formed as private limited partnerships with specific investment objectives, and are made available to qualified investors for whom the private fund(s) appears appropriate.

In developing these special purpose investment partnerships, CAZ generally:

- Forms a worldview to identify major economic and investment themes that should be rewarding and prevalent over the intermediate term;
- Performs due diligence and research to identify specific investments in an attempt to exploit the identified investment opportunities for optimum return potential; and
- Structures a private investment limited partnership to provide qualified clients access to these special purpose investment vehicles if/when/as deemed appropriate to benefit from the identified investment theme.

CAZ sponsors and manages the following private funds.

***CAZ Multi-Strategy Fund, L.P.***

The investment objective of CAZ Multi-Strategy Fund, L.P. (“Multi-Strategy”) is to achieve capital appreciation through the use of a “multi-manager” investment approach. The diversification of investment assets across multiple asset classes is intended to produce attractive rates of return with lower levels of volatility than single asset strategies. Multi-Strategy will attempt to leverage the scientific advantage of “modern portfolio theory” into vehicles that can produce exceptional absolute rates of return with lower standard deviation than those returns available from traditional asset classes. Primarily, CAZ intends to invest Multi-Strategy’s capital with “hedge fund” managers and/or traditional investment managers, either by investing directly in pooled vehicles or through the use of managed accounts.

***CAZ Multi-Strategy Offshore Fund, Ltd.***

The investment objective of CAZ Multi-Strategy Offshore Fund, Ltd. (“Multi-Strategy Offshore”) is to achieve capital appreciation through the use of a “multi-manager” investment approach. The diversification of investment assets across multiple asset classes is intended to produce attractive rates of return with lower levels of volatility than single asset strategies. Multi-Strategy Offshore will attempt to leverage the scientific advantage of “modern portfolio theory” into vehicles that can produce exceptional absolute rates of return with lower standard deviation than those returns available from traditional asset classes. Primarily, CAZ intends to invest Multi-Strategy Offshore’s capital with “hedge fund” managers and/or traditional investment managers, either by investing directly in pooled vehicles or through the use of managed accounts.

***CAZ Hedged Cornerstone, L.P.***

The investment objective of CAZ Hedged Cornerstone, L.P. (“Hedged Cornerstone”) is to participate in market appreciation while providing some protection for the portfolio against market declines. Hedged Cornerstone is typically leveraged. Due to its hedging activities, Hedged Cornerstone may not participate as fully in rising markets. Hedged Cornerstone should feature an overall lower volatility and correlation relative to the stock market, and will invest in a portfolio of large capitalization, U.S. based stocks. Hedged Cornerstone may from time-to-time maintain a hedge against all or a portion of its common stock exposure through the use of Standard and Poor 500 (“S&P 500”) Index options or other hedging vehicles such as, but not limited to, S&P 500 exchange-traded funds (“ETFs”).

***CAZ Partners Fund, L.P.***

The investment objective of CAZ Partners Fund, L.P. is to implement the CAZ Barbell (as described on our website) strategy of asset allocation by allowing investors to invest as a limited partner in one or more portfolios. Each portfolio pursues separate investment objectives as described below:

***CAZ Partners Fund, L.P. – Illiquid Growth Portfolio***

The investment objective of CAZ Partners Fund, L.P. – Illiquid Growth Portfolio (“Illiquid Growth Portfolio”) is to achieve significant capital appreciation primarily through investments in private equity investment vehicles. The Illiquid Growth Portfolio’s capital will generally be invested, either directly or through pooled private investment partnerships managed by CAZ or its affiliates, in approximately ten to twenty private equity investment vehicles that primarily pursue medical royalties, energy, event driven or other opportunistic themes.

***CAZ Partners Fund, L.P. – Legacy Portfolio***

The investment objective of CAZ Partners Fund, L.P. – Legacy Portfolio (“Legacy Portfolio”) is to generate returns that exceed the rate of return of 90 Day U.S. Treasury Bills by 3% per annum. The Legacy Portfolio’s capital will generally be invested in publicly-traded U.S. and foreign debt and equity securities (on both a long and short basis), private investment vehicles, including hedge funds, segregated accounts and other private investment funds, as well as a broad array of other securities in both private and public markets.

***CAZ Partners Fund, L.P. – Liquid Growth Portfolio***

The investment objective of CAZ Partners Fund, L.P. – Liquid Growth Portfolio (“Liquid Growth Portfolio”) is to achieve significant capital appreciation through investments in a wide range of investment securities that have a reasonable measure of liquidity. The Liquid Growth Portfolio’s capital will generally be invested in publicly-traded U.S. and foreign debt and equity securities (on both a long and short basis), private investment vehicles, including hedge funds, segregated accounts and other private investment funds, as well as a broad array of other securities in both private and public markets.

***CAZ Partners Fund, L.P. – Liquid Income Portfolio***

The investment objective of CAZ Partners Fund, L.P. – Liquid Income Portfolio (“Liquid Income Portfolio”) is to achieve annual cash flow distribution yield that exceeds the rate of return of 90 Day U.S. Treasury Bills by 2-4% per annum. The Liquid Income Portfolio’s capital will generally be invested in publicly-traded U.S. and foreign debt and equity securities (on both a long and short basis), private investment vehicles, including hedge funds, segregated accounts and other private investment funds, as well as a broad array of other securities in both private and public markets. Additionally, the Liquid Income Portfolio may engage in secure lending to other funds and accounts managed by CAZ or its affiliates, including other portfolios of CAZ Partners Fund, L.P.

***CAZ Partners Fund, L.P. – Metals Opportunity Portfolio***

The investment objective of CAZ Partners Fund, L.P. – Metals Opportunity Portfolio (“Metals Opportunity Portfolio”) is to achieve significant capital appreciation through investments in various forms of metal related investments either directly or via investment vehicles, companies and/or instruments that provide exposure to metals. The Metals Opportunity Portfolio’s capital will generally be invested in various forms of metal related investments either directly or via private investment vehicles, including hedge funds, segregated accounts and other private investment funds, as well as a broad array of other securities in both private and public markets, that provide exposure to metals related investments.

***CAZ Interest Rate Opportunities Fund, L.P.***

The investment objective of CAZ Interest Rate Opportunities Fund, L.P. (“Interest Rate Opportunities”) is to generate returns that substantially outperform the risk free rate of return through investments in a wide range of investment securities that are intended to benefit from an increase in global interest rates. Interest Rate Opportunities’ assets will generally be allocated among diverse investments ranging from individual securities, in both private and public markets, to pooled investment vehicles managed by other investment advisors.

***CAZ Credit Opportunity, L.P.***

The investment objective of CAZ Credit Opportunity, L.P. (“Credit Opportunity”) is to achieve maximum capital appreciation, independent of the returns of the overall equity and debt markets, through the use of a variety of security trading strategies, but principally, by employing fixed income strategies. Credit Opportunity may trade a variety of securities including, without limitation, corporate investment grade and non-investment grade securities, U.S. and non-U.S. securities, distressed securities and other debt securities both in cash and derivative form, from both a long and short perspective.

***CAZ Financial Recovery Fund, L.P.***

The investment objective of CAZ Financial Recovery Fund, L.P. is to invest all of its investible assets in, and carry out its investment program through Paulson Special Situations Fund, LP (f/k/a Paulson Recovery Fund, L.P.) (“Special Situations”). The investment objective of Special Situations is to achieve appreciation of its assets through investment primarily in equity securities and other instruments expected to increase in value due to financial improvement, restructuring, or other circumstances.

***CAZ Energy Infrastructure Fund, L.P.***

The investment objective of CAZ Energy Infrastructure Fund, L.P. is to invest as a limited partner in the EnCap Energy Infrastructure Fund, L.P. (“Encap Energy”). The investment objective of EnCap Energy is to invest in assets or companies providing natural gas, natural gas liquids and crude oil midstream services, including, but not limited to: gathering pipelines, transportation pipelines, gas compression assets and services, storage facilities, plants for treating impurities, plants for the extraction of hydrocarbon liquids, plants for fractionation of liquid products, and other such assets or companies providing similar services. Investment opportunities may also be identified in areas integral to oil and gas operations, such as produced water handling and disposal facilities and CO<sub>2</sub> handling. Encap Energy will target North American investment opportunities.

***CAZ Energy Infrastructure Fund II, L.P.***

The investment objective of CAZ Energy Infrastructure Fund II, L.P. is to invest as a limited partner in the EnCap Flatrock Midstream Fund II, L.P. (“Encap Flatrock”). The investment objective of EnCap Flatrock is to invest in assets or companies involved in: (i) natural gas gathering, treating, compression and processing operations; and (ii) oil and natural gas liquids gathering, fractionation and logistics. Encap Flatrock will target North American investment opportunities where significant upstream production often requires substantial midstream infrastructure build-out.

***CAZ Real Estate Recovery Fund, L.P.***

The investment objective of CAZ Real Estate Recovery Fund, L.P. is to invest as a limited partner in the Paulson Real Estate Recovery Fund, L.P. (“Paulson Real Estate Recovery”). The investment objective of Paulson Real Estate Recovery is to capitalize on distress within the U.S. real estate market.

***CAZ Oil & Gas Production Fund, L.P.***

The investment objective of CAZ Oil & Gas Production Fund, L.P. is to invest as a limited partner in the EnerVest Energy Institutional Fund XII-A, L.P. (“EnerVest Energy”). The investment objective of EnerVest Energy is to generate superior returns for its institutional investors by making prudent investments in the upstream sector of the oil and gas industry in North America.



***CAZ Healthcare Fund - Israel, L.P.***

The investment objective of CAZ Healthcare Fund - Israel, L.P. is to invest as a limited partner in the OrbiMed Israel Partners Limited Partnership (“Orbimed Israel”). The investment objective of OrbiMed Israel is to seek income and gain by acquiring, owning, holding and disposing of investments that further the development of businesses in the Israeli life science sector in general and in the Israeli biopharmaceutical sub-sector in particular.

***CAZ Equity Income Fund, L.P.***

The investment objective of CAZ Equity Income Fund, L.P. (“Equity Income”) is to maximize current income while maintaining the opportunity to participate in market appreciation. To accomplish this investment objective, Equity Income’s capital will generally be invested in a portfolio of equity positions offering significant potential for cash flow growth. Income producing option strategies may also be pursued.

***CAZ Real Estate Recovery Fund II, L.P.***

The investment objective of CAZ Real Estate Recovery Fund II, L.P. is to invest as a limited partner in Paulson Real Estate Fund II, L.P. (“Paulson Real Estate II”). The investment objective of Paulson Real Estate II is to capitalize on distress in the U.S. real estate market, particularly in the residential land sector.

***CAZ Distressed Secondary Fund, L.P.***

The investment objective of CAZ Distressed Secondary Fund, L.P. is to make an investment as a limited partner in Dorchester Capital Secondaries III, L.P. (“DCS III”). The investment objective of DCS III is to seek capital appreciation, primarily by acquiring interests in existing hedge funds generally in secondary market transactions.

***CAZ Medical Royalties Fund, L.P.***

The investment objective of CAZ Medical Royalties Fund, L.P. is to achieve a strong total return that is a combination of current cash flow and capital gain through direct and indirect investment in two investment partnerships that primarily invest in royalty and royalty-related life sciences investments, Capital Royalty Partners II L.P. (“Capital Partners”), and Drug Royalty III, L.P., (“Drug Royalty”). The investment objective of Capital Partners is to achieve superior risk-adjusted returns through investments in royalties and royalty bonds, loans, and other instruments supported by IP within the healthcare and life sciences sectors. The investment objective of Drug Royalty is to generate long-term returns by identifying, investing in, holding, or selling royalty and royalty-related life sciences investments, which investments shall include (i) future cash flow streams related to royalties or other contractual rights to income derived from the sales of, or revenues generated by, life sciences products including pharmaceuticals, medical devices, diagnostics, and medical technologies (collectively, “Royalty Streams”), and (ii) equity, debt, and debt-related investments that are materially associated with such Royalty Streams, and (iii) equity, debt, and debt-related investments in entities with a majority of revenue derived from such Royalty Streams.

***CAZ Energy Infrastructure Fund III, L.P.***

The investment objective of CAZ Energy Infrastructure Fund III, L.P. is to invest as a limited partner in Encap Flatrock Midstream Fund III, L.P. (“Encap Flatrock III”). The investment objective of EnCap Flatrock III is to invest in assets or companies involved in (i) natural gas gathering, treating, compression and processing operations; (ii) crude oil gathering, storage and transport by pipeline and/or rail; and (iii)

natural gas liquids production, fractionation and logistics. Encap Flatrock III will target North American investment opportunities where significant upstream production often requires substantial midstream infrastructure build-out.

### ***CAZ Energy Infrastructure Fund III-C, L.P.***

The investment objective of CAZ Energy Infrastructure Fund III-C, L.P. is to invest as a limited partner in Encap Flatrock Midstream Fund III-C, L.P. (“Encap Flatrock III-C”), a Cayman Islands exempted limited partnership that is a private equity fund investing directly and/or through subsidiaries in Encap Flatrock III. The investment objective of Encap Flatrock III is to invest in assets or companies involved in (i) natural gas gathering, treating, compression and processing operations; (ii) crude oil gathering, storage and transport by pipeline and/or rail; and (iii) natural gas liquids production, fractionation and logistics. Encap Flatrock III will target North American investment opportunities where significant upstream production often requires substantial midstream infrastructure build-out.

## **ITEM 5: FEES AND COMPENSATION**

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### **Compensation**

CAZ’s primary source of revenue is derived from advisory fees based upon the amount of assets under management. Advisory fees are typically paid quarterly, in advance, and are based on the quarter-end valuation of the portfolio, as determined by the account’s custodian, for the quarterly period ending immediately before the calculation of the account’s upcoming fee. In the event a client terminates during the middle of a billing period, CAZ will reimburse any unearned fees to which the client is entitled. This will be processed and paid back to the client within 2 weeks of a written termination notice.

Though CAZ always reserves the right to negotiate fees with its various clients, it generally charges advisory fees on SMAs based on the following fee schedule:

<b>Market Value of SMA Portfolio</b>	<b>SMA Advisory Fee Annual Rate Schedule</b>
First \$ 2,000,000	1.00%
Next \$ 3,000,000	0.85%
Next \$ 5,000,000	0.75%
Greater than \$10,000,000	0.65%

### **Fees**

In addition to CAZ’s advisory fees noted above, clients may incur the following fees or expenses in connection with their investment activities:

- **Brokerage Commission and Custodian Charges:** CAZ’s advisory fee does not include transaction costs (e.g., brokerage commissions and custodian fees and charges) incurred by the client’s account or other direct out-of-pocket costs incurred by CAZ as a result of providing the investment services.

Clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by managers, custodial fees, administrative settlement fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund transfer fees, and taxes on brokerage and securities transactions. Brokerage commissions and fees are charged by and paid to the client's brokerage/custodian firm. These charges and fees are usually deducted from the client's account in association with certain investment transactions or on a recurring time basis. Such fees and charges are disclosed on the brokerage/custodian firm's statements delivered to the client.

- **Investment Interest Expenses:** Clients that have margin or line of credit agreements for their accounts with their brokerage/custodian firm may incur investment interest expense charges. Such expenses and charges will be incurred if or when the client account is temporarily out of balance or overdrawn due to the timing of trade settlements. Furthermore, when pre-approved by the client, a client will incur investment interest expense charges when leveraging or borrowing additional funds against their investment assets. Investment interest expenses and fees, if or when incurred, are charged by and paid to the client's brokerage/custodian firm. These charges and fees are usually deducted from the client's account on a recurring time basis. Such investment interest expense fees and charges are disclosed on the brokerage/custodian firm's statement delivered to the client.
- **Investment Companies' or Pooled Investment Securities fees:** Investment companies (e.g. open-end mutual funds, money market funds, or closed-end mutual funds) and other pooled investment vehicles (e.g., ETFs) typically charge investment management fees and other expenses to their investors. These charges and fees are usually deducted on a recurring time basis from the investor's asset base. The fees and expenses generally are disclosed in the applicable fund's prospectus and in their periodic financial reports to shareholders of the fund. When these funds are selected for client accounts, the client will bear a proportionate share of those fees and expenses as a shareholder of those funds. Investment management fees and other such expenses are charged by and paid to the investment company or pooled investment fund. Such fees are exclusive of and in addition to CAZ's advisory fee. CAZ does not receive any portion of these fund commission, fees or costs.
- **Sub-Advisory Fees associated with Sub-Advised SMAs:** In some client specific circumstances, CAZ may enter into sub-advisory agreements for SMAs with other registered investment advisers for the benefit of that specific client. Such sub-advisory agreements are normally established to fulfill specific asset class objectives required by the respective client in their statement of goals and objectives. Under these agreements, a portion of the advisory fees paid to CAZ will be shared with the sub-advisors. The fee schedules and account minimums vary by sub-advisor. Such sub-advisory fees may be negotiated with the sub-advisor from time-to-time by CAZ. When such sub-advisory arrangements are made, the sub-advisory arrangement will be disclosed by CAZ to clients by delivery of the Form ADV Part 2 for CAZ and the applicable sub-advisory firm.
- **Additional Financial Consulting Fees:** On a pre-approved, negotiated basis, clients may incur additional fees for broader based financial advice, which may include but is not limited to: cash flow planning to meet future needs/goals; retirement planning; investment planning; college planning; and mortgage/debt planning. These services will be based on fixed fees or hourly fees, and the final fee structure will be documented in any contract for such services.
  - Fixed Fee: Depending upon the complexity of the situation and the needs of the client, CAZ's rate for creating longer-term financial and cash flow plans for a client begins at \$1,500. Fees are paid in arrears upon completion. The fees are negotiable and the final fee schedule will be documented in any contract for such services. Clients may terminate their contracts without penalty, for full refund, within five (5) business days of signing the service contract.
  - Hourly Fee: Depending upon the complexity of the situation and the needs of the client, the hourly fee for these services is \$75 - \$250. The fees are negotiable and the final fee schedule will be

documented in any contract for such services. Fees are paid in arrears upon completion. Clients may terminate their contracts without penalty, for full refund, within five (5) business days of signing the service contract.

- **Administrative Fees Associated with Certain Private Fund Accounts:** Investors in private funds, especially tax-exempt or tax-deferred accounts, might incur additional trustee fees, custodian fees, or other such additional administrative costs as a result of their investment in private funds. CAZ may agree to, and in some cases has agreed to, assume or reimburse selected clients for such additional fees incurred as a result of their investment in private funds
- **Expense Reimbursement:** Clients may also incur charges for any and all costs and expenses (including taxes) incurred by CAZ as a result of providing investment management services to its clients.

## **ITEM 6: PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT**

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### **Performance-Based Fees**

CAZ collects performance-based fees from certain qualified clients, including CAZ's private funds. All arrangements are entered into in accordance with Rule 205-3 under the Advisers Act.

Performance-based fee arrangements may create an incentive for CAZ to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. We have procedures designed and implemented to ensure that all clients are treated fairly and equitably, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

For specific information regarding the calculation and collection of performance-based fees for CAZ's private funds, please see each fund's respective partnership agreement.

## **ITEM 7: TYPES OF CLIENTS**

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As previously identified, CAZ's client base is comprised of SMAs and Private Funds. Typical clients using CAZ for SMA services include: individuals, high net worth individuals, pension and profit sharing plans, charitable organizations, and Corporations.

Depending upon the type of account or investment CAZ manages for the benefit of a client, account minimums can be anywhere from \$250,000 to \$1,000,000. CAZ may, in its sole discretion, opt to waive such minimums.

## ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

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### Methods of Analysis

- Fundamental Research – CAZ’s fundamental financial analysis and review process includes:
  - Evaluating the integrity of the accounting statements;
  - Converting generally accepted accounting principles (“GAAP”) financial statements into economic accounting statements;
  - Evaluating various financial metrics and ratios that contribute to cash flow return on invested capital to identify companies that have high returns or significantly improving returns on their invested capital;
  - Identifying “great businesses to own” for client portfolios based upon the results of the fundamental review; and,
  - Utilizing a broad spectrum of information, including financial publications, third-party research materials and systems, regulatory filings, company press releases, industry reports and periodicals, and corporate rating services.
- **Valuation** - CAZ’s valuation process seeks to evaluate the fair or intrinsic valuation of companies’ common shares by:
  - Evaluating the value of the entire company based upon:
    - Cash flow forecasts for the company;
    - Identifying companies that are currently trading at significant discounted prices relative to their perceived fair or intrinsic value; and,
    - Evaluating this discounted cash flow valuation methodology’s accuracy in estimating the actual market prices paid for the company’s common shares in the past.
- **Timing** - CAZ’s final analytical step in making common stock investing decisions typically involves the use of technical analysis to seek confirmation that the time is right to buy or continue to own the security. CAZ reviews a common stock’s price behavior by evaluating on a combined or collective basis its:
  - Relative strength – the price trend that indicates how a stock is performing relative to other stocks in its industry over a given time period; and,
  - Price momentum - the rate of acceleration of a security's price over a given time period.
- **Portfolio Risk Controls** - CAZ works to apply portfolio mandates and several portfolio controls to control risks in its Cornerstone Portfolio through the following principles:
  - Staying fully invested throughout all phases of stock market cycles – The Cornerstone Portfolio typically will only temporarily own more than five percent (5%) money market funds.
  - Positioning diversification controls – The Cornerstone Portfolio will normally own between forty and fifty (40 – 50) different common stocks. Therefore, normal positions size at the time of purchase is two percent (2%) but may range from one percent to three percent (1% - 3%) of the common stock portfolio’s value.

- Maximum Position Size - At the time of purchase, the Cornerstone Portfolio generally will invest no more than five percent (5%) in any one common stock. Once in the portfolio, common stock positions will be reduced on a timely basis as it becomes eight percent (8%) or greater of the common stock portfolio's total value.
- Setting economic sector diversification controls – The Cornerstone Portfolio will only temporarily allow the portfolio's economic sector weighting to vary outside the following ranges:
  - Large Economic Sectors (Energy, Consumer Discretionary, Consumer Staples, Industrials, Health Care, Information Technology, Financial) – At the time of purchase, the Cornerstone Portfolio will typically invest no less than fifty percent (50%) but no more than one hundred fifty percent (150%) in stocks in the larger economic sectors, as defined by the Standard and Poor Corporation.
  - Small Economic Sectors (Basic Materials, Telecommunication Services, Utilities) – At the time of purchase, the Cornerstone Portfolio will invest no more than two hundred percent (200%) in stocks in the smaller economic sectors, as defined by the Standard and Poor Corporation. At times, the Cornerstone Portfolio may not own any positions in these smaller economic sectors.

CAZ assists clients in defining and articulating their goals, objectives, and restrictions or limitations for their investment portfolio. As a result of defining the goals and objectives, CAZ assists clients in establishing an investment strategy. Investment strategy includes plans regarding:

- Asset Classes – The types of securities (e.g., common stocks, bonds, tax exempt bonds, real estate investment trusts, master limited partnerships, private funds, etc.) that will be utilized in the investment portfolio;
- Asset Allocation – The planned asset class mix or targeted range for each asset class expressed as a percentage of the client's portfolio (e.g., 60% - 75% common stocks);
- Common Stock Investment Strategy – Determining which of CAZ's common stock model portfolios (see portfolio descriptions in the Advisory Services section) to incorporate into the client's portfolio, if appropriate; and,
- To assist clients in finalizing an investment strategy or policy statement, CAZ reviews and considers various factors, such as:
  - Client's investment time horizon for the investment assets,
  - Client's financial ability and emotional willingness to incur financial losses,
  - Client's need to generate cash flow to meet particular objectives,
  - Client's longer-term goals and objectives such as longer-term withdrawal needs or targeted account value goals, and
  - Historical results and prospective outlook for the rate of return and volatility of the asset classes selected for use in the client's portfolio.

Many clients independently develop investment strategies, goals and objectives for the investment assets entrusted to CAZ. In such cases, CAZ will confer with the client to confirm that the client's planned investment strategy is consistent with their own stated goals and objectives and with CAZ's historical review and prospective view of investment markets.

## **Investment Strategies**

Our objective at CAZ is to maintain a consistent process regardless of market conditions. We have found that the biggest impediment to long-term, above-average performance is the tendency of investors, even professional money managers, to change their approach because of market conditions. This is not the way we operate. We utilize a style that, we believe, works over the long term, and we seek to implement this disciplined approach regardless of the short-term market nuances. We maintain our focus and we strive for consistency.

The investment philosophy of CAZ for common stock investing is to seek to identify excellent businesses that demonstrate competitive positions. Once identified, we look for stock prices that reflect reasonable valuations compared to their expected cash flows, growth, and earnings. Our belief is that long-term success in the equity markets is achieved by investing in well-managed businesses that dominate their markets, as long as those investments are purchased at prices that are appropriate given the business fundamentals and prospects.

## **Risk of Loss**

### **Common Stocks**

Common stocks are securities that represent ownership in a corporation. Holders of common stock exercise control by electing a board of directors and voting on corporate policy. Material risks associated with common stock ownership include:

- **Loss of Money** – Loss of money is a risk of investing in common stocks. An investment in common stocks is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation (“FDIC”) or any other governmental agency.
- **Volatility** – Common stock and related equity values fluctuate, and sometimes widely fluctuate, in response to various factors, including:
  - Activities specific to the company that issued the common shares,
  - General stock market, economic or political uncertainty, or
  - Adverse individual company developments.
- **Interest Rate Risk** – The most well-known risk in investing in financial assets is interest rate risk, which is the risk that security prices will fall as interest rates rise. As with buying most financial assets, including common stocks, the investor has committed to receiving forecasted or expected payback in the future, and perhaps, periodic dividend payments in the future. Should the market interest rate rise from the date of the purchase, the asset’s value will fall accordingly. The financial asset will then be trading at a discount or lower price to reflect the higher prevailing interest rates. Further, interest rate risks may impact the amount of cash available to distribute to shareholders as dividends or other distributions. Market interest rates are a function of several factors such as:
  - The demand for money in the economy,
  - The supply of money in the economy,
  - The inflation rate,
  - The stage of the business cycle, and
  - The government's monetary and fiscal policies.

- **Lower Priority Claim on Corporate Assets** – Common shareholders are generally at the bottom of the priority ladder in any ownership structure. In the event of liquidation or bankruptcy, common shareholders have rights to a company's assets only after bondholders, preferred shareholders, and other debt holders and creditors have been paid in full.

## **Income Securities**

Income securities are investments that provide a return in the form of fixed periodic payments and the eventual return of principal at maturity. Generally, payments relating to a fixed income security are known in advance. Examples of fixed income securities include the following:

- **Government Bonds** – A debt security issued by a government to support government spending, most often issued in the country's domestic currency. Government debt is money owed by any level of government and is backed by the full faith of the government. Federal government bonds in the United States include: the savings bond, Treasury bond, Treasury inflation-protected securities (“TIPS”), and others.
- **Tax Exempt Bonds** – A security in which the income produced is free from federal, state and local taxes. Most tax-exempt securities come in the form of municipal bonds, which represent obligations of a state, territory or municipality. For some investors, U.S. savings bond interest may also be free from federal income taxes.
- **Corporate Bonds** – A debt security issued by a corporation and sold to investors. The backing for the bond is usually the payment ability of the company, which is typically money to be earned from future operations. In some cases, the company's physical assets may be used as collateral for bonds. Corporate bonds are considered higher risk than government bonds. As a result, interest rates paid by corporate bonds are usually higher than rates paid by government bonds, even for top-flight credit quality companies.
- **Preferred Stocks** – A class of ownership in a corporation that has a higher claim on the assets and earnings than common stock. Preferred stock is a financial instrument that has characteristics of both debt (e.g., fixed dividends) and equity (e.g., later stage claim on corporate assets in the event of liquidation or bankruptcy). Preferred stock generally has a dividend that must be paid out before dividends to common stockholders and the shares usually do not have voting rights. The precise structure of preferred stock is specific to each corporation.
- **Variable Rate Securities** – An income security where payments change based on some underlying measure such as short-term interest rates, or the rate of inflation. An example would be TIPS.

Income securities generally are less risky than common stocks. However, there are some material risks to consider in connection with these investments, including the following:

- **Loss of Money** – Loss of money is a risk of investing in income securities. An investment in income securities is not a deposit in a bank and is not insured or guaranteed by the FDIC or any other governmental agency.
- **Interest Rate Risk** – As with common stocks, income securities are subject to interest rate risk. By buying an income security, such as a bond, the bondholder has committed to receiving a fixed rate of return for a fixed period. Should the market interest rate rise from the date of the bond's purchase, the bond's price will fall accordingly. The bond will then be trading at a discount or lower price to reflect the higher prevailing interest rates.



- **Reinvestment Risk** – The risk that the proceeds from a bond might be reinvested at a lower rate than the bond originally provided. For example, imagine that an investor bought a \$1,000 bond that had an annual coupon or interest payment of 12%. Each year the investor receives an interest payment of \$120 (12% X \$1,000), which can be reinvested back into another bond. However, over time imagine the market rate falls to 1%. Suddenly, the interest payment of \$120 received from the bond can only be reinvested at 1%, instead of the 12% rate of the original bond.
- **Call Risk** – The risk that a security will be called by its issuer. Callable securities have call provisions, which allow the security issuer to repurchase the security from the investor and retire the issue. This is usually done when interest rates have fallen substantially since the issue date. Call provisions allow the issuer to retire the old, high-rate security and sell low-rate securities in a bid to lower their debt costs.
- **Default Risk** – The risk that the security's issuer, whether it be a government or a corporation, will be unable to pay the contractual interest or principal on the bond in a timely manner, or at all. Credit ratings services such as Moody's, Standard & Poor's and Fitch give credit ratings to bond issues, which helps to give investors an idea of how likely it is that a payment default will occur. For example, most federal governments have very high credit ratings (AAA) inasmuch as governments can raise taxes or print money to pay debts, making default unlikely. However, small, emerging companies have some of the worst credit ratings (BB and lower). They are much more likely to default on their bond payments, in which case bondholders would likely lose all or most of their investment.
- **Inflation Risk** – The risk that the rate of price increases in the economy deteriorates the returns associated with the bond. This has the greatest effect on fixed bonds, which have a set interest rate from inception. For example, if an investor purchases a 5% fixed bond and then inflation rises to 10% a year, the bondholder will lose money on the investment because the purchasing power of the proceeds has been greatly diminished. The interest rates of variable rate or floating-rate bonds (i.e., "floaters") are adjusted periodically to match inflation rates or a specific interest rate index, limiting investors' exposure to inflation risk.

## **Master Limited Partnerships**

MLPs are a type of limited partnership that is publicly traded and sells like a common stock on the major stock exchanges. There are two types of partners in this type of partnership. The limited partner is the person or group that provides the capital to the MLP and receives periodic income distributions from the MLP's cash flow, whereas the general partner is the party responsible for managing the MLP's affairs and receives compensation that is linked to the performance of the venture. MLP investors face several kinds of risk that are inherent in these types of investments and in the market, including the following:

- **Loss of Money** – Loss of money is a risk of investing in MLPs. An investment in MLPs is not a deposit in a bank and is not insured or guaranteed by the FDIC or any other governmental agency.
- **Volatility** – MLPs fluctuate, and sometimes widely fluctuate, in response to various conditions, including:
  - Potentially less geographic and industry diversification among underlying operating assets,
  - Potentially lower trading volume than other securities,
  - Activities specific to the MLP that issued the partnership units,
  - General stock market, economic or political uncertainty, or
  - Adverse individual company developments.

- **Interest Rate Risk** – Similar to common stocks, MLPs are sensitive to interest rate risk. As with buying most financial assets, including MLPs, the investor has committed to receiving forecasted or expected payments in the future and changes in interest rates may adversely affect the value of these payments.

## **Real Estate Investment Trusts**

A REIT is a security that sells like a common stock on the major exchanges and **invests** in real estate directly, either through properties or mortgages. REITs face various risks that are inherent in these types of investments, including the following:

- **Loss of Money** – Loss of money is a risk of investing in REITs. An investment in REITs is not a deposit in a bank and is not insured or guaranteed by the FDIC or any other governmental agency.
- **Volatility** – REITs fluctuate, and sometimes widely fluctuate, in response to various conditions, including:
  - Potentially lower diversification among underlying real estate portfolios,
  - Potentially lower trading volume than other securities,
  - Activities specific to the company that issued the REIT shares,
  - General stock market, economic or political uncertainty, or
  - Adverse individual company developments.
- **Interest Rate Risk** – Similar to common stocks, REITs are sensitive to interest rate risk. As with buying most financial assets, including REITs, the investor has committed to receiving forecasted or expected payments in the future and changes in interest rates may adversely affect the value of these payments.
- **Liquidity Risk** – Investors in REITs may face liquidity risks stemming from the lack of marketability of an investment, in this case the underlying real estate properties owned by the REIT, which cannot be bought or sold quickly enough to prevent or minimize a loss.
- **Real Estate Market Risk** – Real estate investments involve certain additional risks such as:
  - Refinancing risks,
  - Real estate property valuation risks,
  - Property management risks, and
  - Potential conflicts of interest risk with fund management company.

## **Mutual Funds**

A mutual fund is an investment vehicle made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets. Mutual funds are operated by investment management firms that invest the fund's capital and attempts to produce capital gains and income for the fund's investors. A mutual fund's portfolio may be structured and maintained to match the investment objectives stated in its prospectus. Mutual funds possess the same risks, including the risk of loss of money, associated with a direct investment in any of the securities collectively owned by the fund. Mutual fund investing also may involve other risks, including the following:

- **Investment Management Risk** – The risk of inferior investment decisions being made by the investment manager of the fund that could lead to investment performance below the results experienced by other fund managers or investment advisers.
- **Duplicate Fees** – The risk that the investment management fees paid to the mutual fund manager that are in addition to CAZ's advisory fees could materially reduce investment performance below results experienced by similarly managed accounts where duplicate management fees are not charged.

## **Exchange Traded Funds**

An ETF is a security that tracks an index, a commodity or a basket of assets like an index fund, but trades like a stock on an exchange. ETFs are operated by investment management firms that invest the fund's capital and attempts to produce capital gains and income for the fund's investors. ETFs charge investment management fees that generally are significantly lower than the fees charged by mutual fund investment managers. An ETF's portfolio may be structured and maintained to match the investment objectives stated in its prospectus. ETFs possess many of the same risks described above with respect to mutual fund investing. In addition to those risks, the following risks are also associated with ETF investing:

- **Concentration of Investments** – The risk of more market value volatility due to a less diversified portfolio designed to meet more narrow investment objectives or to only utilize a more narrowly defined type of securities.

## **Private Investment Partnerships**

All investments in securities, including private investment partnerships, include a risk of loss of your principal (invested amount) and any profits that have not been realized (the securities were not sold to "lock in" the profit). Private investment funds possess many of the same risk associated with the other asset classes outlined herein. For more detailed information regarding the risks of investing in each private fund managed by CAZ, please refer to and review the respective fund's offering memorandum and its partnership agreement.

Investment markets do fluctuate and do so substantially from time to time. Importantly, historical global and domestic economic events have confirmed that the investment performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets we manage that may be out of our control. We will do our best in the management of your assets. However, we cannot guarantee any level of performance or that you will not experience a loss of your account assets. Investing in securities involves risk of loss that clients should be prepared to bear.

## **ITEM 9: DISCIPLINARY INFORMATION**

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CAZ and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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CAZ and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS, AND PERSONAL TRADING**

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CAZ 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. All supervised persons at CAZ must acknowledge the terms of the Code of Ethics at least annually or when amended.

CAZ's compliance policies and procedures include various measures designed to monitor employees' trading activities and investment holdings. The policy requires that non-exempt trades made by employees or by persons related to CAZ be pre-approved by the designated person responsible for such oversight and review. Transactions exempt from such pre-approval process include trades in investment company securities (e.g., mutual funds) and/or other exempt transactions.

Additionally, the CCO or his designee is responsible for receiving notice of and reviewing the trades of each employee against their monthly custodial statements. Quarterly reports listing the security traded, the number of shares or units traded, prices, symbols and custodian are reviewed and approved by the CCO no later than thirty (30) days after the end of the calendar quarter of which the transaction was effected.

Further, CAZ maintains certain policies and procedures concerning the misuse of material non-public information (i.e., "inside information") that are designed to prevent insider trading by any officer, partner, or associated person of CAZ. The policy regarding the prohibited use of material non-public information applies to both CAZ's affiliated parties' accounts and CAZ's clients' accounts.

CAZ's written Code of Ethics addresses expected employee behavior and CAZ's expectations regarding the following topics:

- Professionalism
  - Employee Responsibility to Know the Laws
  - Independence and Objectivity in Making Judgments for Clients
  - Avoiding Any Misrepresentations
  - Avoiding Any Misconduct
- Integrity in the Capital Markets
  - Avoiding Use of Material Nonpublic Information
  - Avoiding Manipulative Practices regarding the Market
- Duties to Clients
  - Loyalty, Prudence, and Care of Client Interests

- Fair Dealing
- Suitability of Advice and Investments
- Fair, Accurate and Complete Performance Presentations
- Preservation of Client Confidentiality
- Duties to CAZ
  - Loyalty of Service and Confidentiality of Intellectual Property
  - Disclosure of Additional Compensation Arrangements
  - Reporting any Known Violations of the Code of Ethic or CAZ's Policies and Procedures to the Appropriate Company Officer
  - Diligence and a Reasonable Basis for Advice and Actions
  - Effective and Thorough Communications with Clients and Prospective Clients
- Investment Analysis, Recommendations, and Action
- Conflicts of Interest
  - Disclosure of Conflicts of Interest
  - Monitoring and Reporting of Personal Security Transactions
  - Disclosure of Any Referral Fees or Commissions Received
- Responsibility to Protect the Reputation and Integrity of CAZ and of Fellow Employees

CAZ has adopted internal policies and procedures to implement and to monitor it and its employees' practices regarding CAZ's Code of Ethics. Clients have the right to receive a complete copy of CAZ's Code of Ethics and may contact its CCO at 713.403.8250 or [ilmassey@cazinvestments.com](mailto:ilmassey@cazinvestments.com) to receive a copy.

From time-to-time, CAZ may advise a client to consider certain private partnership investments that are sponsored by and managed by CAZ. Any such recommendation by CAZ may constitute a conflict of interest. To address this conflict, CAZ provides full disclosure to such client of CAZ's sponsorship of the private investment fund. Additionally, when clients make investments in CAZ's private investment funds, CAZ does not assess additional investment advisory fees beyond those allowed by the private fund's partnership agreement. Clients are charged fees directly by the private investment fund as mutually agreed in their respective partnership or investment advisory agreements.

CAZ has adopted policies and procedures to address and monitor clients investing in CAZ's investment products. These policies and procedures are intended to avoid potential conflicts of interest between CAZ's financial interest in the success of its products and business versus the interest of CAZ's clients.

## ITEM 12: BROKERAGE PRACTICES

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### Counterparty Selection

Although CAZ is not affiliated with any broker-dealer, it does recommend or refer its clients to brokerage firms with which CAZ has a positive, efficient, and professional working relationship. CAZ has a preference that clients utilize a brokerage firm that has an efficient and effective combination of:

- Trade execution capabilities;
- Back office operation systems and personnel; and
- Brokerage commissions and fee schedules consistent with the quality of service CAZ seeks on their behalf.

In evaluating brokerage firms for referral or recommendation for its clients use, CAZ reviews a wide variety of characteristics and capabilities including:

- Functionality/capabilities,
- Costs,
- Governance, and
- Financial condition of the brokerage firm.

While many brokerage firms cannot satisfactorily meet each criteria of evaluation, CAZ collectively considers these factors in their totality in evaluating a brokerage firm, its services, and capabilities.

### Directed Brokerage

Clients may direct CAZ to use a specific custodian/brokerage firm for their account. Clients independently selecting brokerage firms and directing their brokerage business might incur operational limitations or challenges for their account, such as limiting CAZ's ability to:

- Negotiate commissions and other fees with the brokerage firm on their behalf such that the client may pay trading costs that are higher than those obtainable from other brokers;
- Allow them to participate in the purchase of an IPO along with other SMAs as the designated brokerage firm may not be part of the distribution syndicate;
- Batch or group the client's orders with other CAZ's orders for efficient trade execution such that the client may not receive, in some cases, timely execution of trade orders due to order placement practices of the selected brokerage firm; or
- Seek best execution services from brokerage firms - best execution services include a combination of varied services received by CAZ from brokerage firms including operational support and investment research as described below.

## **Best Execution**

It is CAZ's fiduciary responsibility to seek the most favorable transaction terms available under the circumstances for its clients' account at the time of each trade. In seeking the most favorable transactions, CAZ considers factors in addition to commissions and custodial settlement fees in the pursuit of the best execution of trades. "Best Execution" is the execution of transactions for client accounts in such a manner that the client's total cost or proceeds are the most favorable under the circumstances at the time of the trade. Best Execution does not necessarily mean paying the lowest possible commission or other trade settlement fees.

The additional factors and capabilities provided by executing brokerage firms that are considered by CAZ may include the following:

- Transaction price and execution, especially with larger trades for multiple clients in batched or blocked orders;
- Supplemental investment research;
- Investment strategy/allocation research;
- Ability to leverage executing brokerage firm's technology;
- Confidential executions and client privacy;
- Customized trade reporting services/capabilities;
- Trading support services;
- Efficiency of back office capabilities/electronic interfaces with CAZ's systems;
- Financial strength/surety provided in trading activity;
- Other investment, reporting, or business operational services;
- Providing directly to CAZ, or paying a third party for the provision of, certain research materials, data systems, analytical products or services, and other similar products and services used for the benefit of managing a client's investment portfolios; or
- Other services provided for the direct or indirect benefit of CAZ, its clients, and/or the client's account.

Therefore, CAZ may pay broker commissions that are higher than another broker might have charged for the same transaction, in recognition of CAZ's assessment of the value of the various value-added services listed above. However, when higher commission costs are incurred, CAZ believes that the higher commission costs borne by client accounts are reasonable in relation to the overall services provided. The client account that bears the cost of such a commission for a particular trade will not necessarily be the sole beneficiary of such value-added services. To assist clients in managing and controlling brokerage commission costs associated with portfolio turnover or trading activity, some clients may seek "Asset Based Pricing" arrangements with certain brokerage firms. Asset Based Pricing arrangements are fees charged by the brokerage firm based upon a percentage of the total asset value of the account. Asset Based Pricing fees from various brokerage firms range from 0.15% to 0.25% of the asset value of the account on an annual basis. Asset Based Pricing allows clients to trade as often as desired without incurring commission charges. For certain asset sized accounts, and with anticipated portfolio turnover rates, CAZ assists clients in estimating which brokerage compensation arrangement would better serve their needs in managing and controlling such costs and expenses.



Asset Based Pricing arrangements are not offered by all brokerage firms. Brokerage firms that offer Asset Based Pricing arrangements might have certain requirements for an account to qualify for such compensation arrangements.

## **Soft Dollars**

CAZ does engage certain brokerage firms that offer Section 28(e) or “soft dollar” arrangements. “Soft dollar” credits or benefits are provided to CAZ based upon the volume of trades and commissions paid to the brokerage firm.

CAZ also may enter into arrangements with brokers to benefit specific client accounts by:

- having soft dollar credits rebated to the client’s account or to have commissions recaptured by the client’s account from which the credits or commissions were generated, or
- using soft dollar credits to pay expenses otherwise payable by client’s account.

Either of such uses of soft dollar credits would have the effect of enhancing the returns associated with such client’s account from the returns that would exist absent such uses.

CAZ also engages certain brokerage firms that offer Section 28(e) or “soft dollar” arrangements that CAZ believes provide a benefit to its client base in general. The use of these soft dollar credits by CAZ is restricted to obtaining investment research and other investment decision making products and services selected by CAZ through arrangements provided by the brokerage firm. The costs of those research and other investment decision making services and products are paid as a result of trading activity by client transactions executed at the brokerage firm. Any benefits received from such soft dollar arrangements may benefit clients of CAZ in addition to those clients whose trading activity actually generated the soft dollar credits. As a result of trading with brokerage firms providing soft dollar arrangements, clients may pay higher fees for comparable services as compared to other brokerage firms’ fees.

Using soft dollars to obtain investment research and/or related services creates a conflict of interest between CAZ and its clients. Soft dollars may be used to acquire products and services that are not exclusively for the benefit of the clients which paid the commissions and that may primarily or exclusively benefit CAZ. If CAZ is able to acquire these products and services without expending its own resources (including advisory fees paid by clients), CAZ’s use of soft dollars would tend to increase its profitability. Furthermore, CAZ may have an incentive to select or recommend brokers based on its interest in receiving research or other products or services, rather than on its clients’ interest in obtaining the lowest execution prices.

CAZ’s soft dollar practices are controlled and monitored by its Brokerage Committee following the firm’s internal policies and procedures regarding:

- Selecting brokerage firms to engage in soft dollar trading arrangements;
- Selecting research and other related investment decision making products and services to obtain through soft dollar credit programs; and
- Allocating the cost and expenses of mixed use products and services among either:
  - Research and investment decision making products and services vs. nonqualifying products and services, and



- CAZ's use vs. any affiliated companies' use of such products and services.

Clients may obtain a summary of CAZ's Section 28(e) or soft dollar program, including a summary of their trade participation and commissions incurred in the program, by requesting a copy from CAZ's CCO 713.403.8250 or [ilmassey@cazinvestments.com](mailto:ilmassey@cazinvestments.com).

## **Aggregation of Orders**

CAZ will often aggregate clients' assets under management when clients retain CAZ to manage multiple portfolios. The aggregation will be done for the determination of investment advisory fee breakpoints. On occasion, CAZ may group or batch orders for the same security to be executed at a respective brokerage firm into one order prior to placing the trades. Where CAZ receives only partial fills on orders, the trades that were executed are aggregated and average prices are provided to clients on a pro rata basis on the size of the total shares executed. Unfilled shares are carried forward to the next trading day for aggregation, averaging, and allocating to the accounts as indicated.

CAZ may group or 'batch' orders to buy or sell the same security for more than one advisory account managed and/or for CAZ's account, or affiliated companies' accounts, or the personal accounts of CAZ's officers, directors, employees or other affiliated persons. CAZ may, but is not under any obligation to, batch or group the transactions.

Generally, once executed, the batched transactions are allocated proportionally to all subject accounts and at the average price received for the batched shares from the executing brokerage firm for the trading day. CAZ may make exceptions to this procedure based upon special portfolio constraints, cash position, client or regulatory restrictions, odd-lot size of an available transaction, brokerage firm or custodian firm restrictions or operating procedures, or other equitable fiduciary reason. When it is not possible to receive the same price or time of execution for all of the securities purchased or sold in a batched order, such batched orders may be executed in one or more transactions at varying prices.

## **ITEM 13: REVIEW OF ACCOUNTS**

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Client accounts are periodically reviewed by various CAZ's employees including traders, portfolio managers, and relationship managers. This includes, but is not limited to: Christopher Zook, Chairman & Chief Investment Officer ("CIO"); Michael Meagher, Executive Vice President – Investment Strategies; Aimee McCrory, Executive Vice President – Investment Strategies; Isaiah Massey, CCO; Jay Van Ert, Managing Director – Alternative Investments; Joseph Ceasar, Managing Director – Traditional Investments. Importantly, although CAZ develops the client's investment strategy on a customized basis with regard to investment allocations to various asset classes, many asset classes are then managed on a more systematic or standard basis with consistencies of holdings within each asset class. CAZ's monitoring of client holdings is greatly facilitated by the similarity of securities owned within various asset classes across CAZ's client account base.

Additionally, CAZ has monitoring systems in place to identify accounts significantly or materially out of line with either client-stated asset allocations or CAZ's modeled portfolio positions for the respective asset class. This system is actively monitored by the traders. Relationship managers are provided with such management reports as needed for their use in monitoring their clients' portfolio's adherence to client-stated asset allocations and CAZ's model portfolios, where applicable. Furthermore, these monitoring reports are reviewed at least quarterly by CAZ's CIO or his designee from the investment strategies team.

CAZ's Brokerage Committee monitors trade execution results for client accounts to ensure no client or group of clients are being advantaged or disadvantaged by CAZ's trading practices and procedures, by an executing brokerage firm's execution capabilities, or by a brokerage firm's commissions or other transactions fees and charges.

Finally, CAZ reviews each account's investment performance relative to CAZ's other similarly-managed accounts with similar investment objectives and management discretion. This performance results monitoring process is intended to ensure clients with similar investment objectives and account terms and conditions are obtaining similar investment results from CAZ's investment advisory process.

Account reviews, in addition to those outlined above, may be undertaken due to:

- Change in market conditions;
- Change of security position(s);
- Request by client for a meeting, or the occurrence of such meeting;
- Change in client's investment objective;
- Change of CAZ's internal policies and procedures; or
- Other routine testing requested by CAZ's CIO, relationship managers or CCO.

Client portfolio reports are available on a daily basis through the password protected online portal of the portfolio accounting system used by CAZ for its SMAs. Content included in these portfolio reports include:

- Inventory of investment holdings in their account including:
  - Purchase date,
  - Amount of shares/units purchased,
  - Cost basis of securities owned,
  - Market price and total market value of securities owned as of the close of the previous trade date, and
  - Realized capital gains and loss summary for the year to date.

CAZ also provides a more comprehensive report to clients on a calendar quarter basis and, typically, at periodic account review meetings with clients. Quarterly reports are normally prepared and also published on CAZ's secure website for client's access, review, download, or printing. Alternatively, clients may request that CAZ provide these reports in hard copy and deliver the reports to them by postal service. Also, clients may request reports from CAZ covering interim reporting periods at any time.

Contents published to the client's secured account in their quarterly reports include:

- Inventory of investment holdings in their account including:
  - Purchase date,
  - Amount of shares/units purchased,
  - Cost basis of securities owned,
  - Market price and total market value of securities owned as of the close of the previous trade date,

- Securities purchased and sold during the quarter,
- Realized capital gains and loss summary for the year to date,
- Investment performance reports and comparisons to benchmark indices' results, and
- Quarterly commentary reviewing investment markets' performance and CAZ's economic and market outlook.

Clients also receive similar reports from their respective custodians or brokerage firms. Such reports are frequently available from their custodian on a daily basis from websites and on a monthly basis as applicable for each custodian. Clients are strongly encouraged to compare reports presented by CAZ to those reports presented by their custodian firm(s). Any material differences between the two reports should be discussed with both parties independently until client has received adequate reconciliation and explanation of any material differences in the account statements.

## **Client Privacy**

CAZ has adopted policies and procedures reasonably designed to protect various records and information of its clients. Except as authorized by each client and/or investor, private information about CAZ's clients is disclosed only as permitted by applicable law to its affiliates and service providers, including its accountants, attorneys, brokers, custodians, transfer agents and any other parties whose services are necessary or convenient to the operation of client accounts. Notice of CAZ's privacy policy is provided on an annual basis to clients and is available to clients through our website.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

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CAZ compensates non-employees for soliciting investment advisory clients on behalf of CAZ. Solicitation fees are negotiated on a case by case basis and documented in a written agreement with each solicitor.

CAZ currently has one active solicitation agreement with Meagher Financial Services, and one dormant solicitation agreement with Happy State Bank & Trust Company.

The solicitation agreements (the "Solicitation Agreements") with Happy State Bank & Trust Company and Meagher Financial Services provide that the solicitors have agreed, on a non-exclusive basis, to solicit for and refer to CAZ prospective clients. In each case, CAZ has agreed to pay to the solicitor a portion of any advisory fees that CAZ receives from the applicable solicited clients. Solicitation fees paid to solicitors represent no additional expense to the applicable solicited clients.

In addition to the foregoing, CAZ may enter into agreements or arrangements in the future with other persons who solicit clients on behalf of CAZ. For their services, such persons may receive compensation which may be a percentage of the investment advisory fee paid to CAZ by such clients.

All solicitation arrangements entered into by CAZ are appropriately disclosed to applicable clients and are designed to be in substantial compliance with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended.

## ITEM 15: CUSTODY

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CAZ does not serve as a qualified custodian of its clients' assets. Client accounts are maintained at a qualified custodian firm such as a brokerage firm, a bank, or a trust company. In each instance, the custodian provides statements directly to clients, normally on a monthly basis, but at least quarterly. However, many custodians provide secured, password protected website access to clients that provide reporting on a daily basis as of the close of the previous trading day. Custodian statements normally provide an accounting of the investment account's activities and status including all transactions in the account, all assets owned by the account with a fair market value estimate of the assets in inventory, as well as other pertinent recordkeeping information. Clients should carefully review these statements.

For our private investment funds, CAZ has custody of clients' assets as the Investment Manager of the private funds and their related accounts. These investors receive financial statements from the private funds within 120, 180, or 260 days of the fiscal year-end, as applicable to the fund structure, and the private investment funds and related accounts are audited annually by the respective fund's third-party auditing firm.

CAZ also provides statements to clients in addition to those provided by the applicable custodian or private fund third-party administrator.

Clients are strongly encouraged to compare reports presented by CAZ to those reports presented by their custodian firm or their private fund administrator. Any material differences between the two reports should be discussed with both parties independently until the client has received adequate reconciliation and explanation of any material differences in the account statements.

## ITEM 16: INVESTMENT DISCRETION

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CAZ accepts investment authority to supervise and direct the investments of client's SMA portfolios subject to limitations the client may impose in writing. CAZ, as agent and attorney-in-fact for client's account, without prior consultation with the client, may:

- Direct the purchase, sale, exchange, conversion, and otherwise trade in stocks, bonds and other securities including money market instruments;
- Direct the amount of securities purchased, sold, exchanged, and otherwise traded;
- Place orders for the execution of such securities transactions with a broker dealer or other third party broker/dealers; and,
- Determine the commission rates paid. CAZ will allocate brokerage transactions in a manner it believes to be fair and responsible to its clients, and consistent with client objectives.

For private fund investors, CAZ has similar discretionary investment authority as provided by the respective limited partnership agreement for each fund. Please refer to the respective fund's limited partnership agreement for further details regarding investment authority assigned to CAZ for those funds.

In addition to the investment discretion authority outlined above, CAZ may be assigned by written agreement the authority for other activities such as:

- To invoice and receive payment for CAZ’s investment advisory fees directly from the custodian of the client’s investment account;
- To receive and vote proxy statements on behalf of client accounts; and
- To instruct the custodian firm to deliver funds directly to the client via:
  - Transfer to another financial institution for the benefit of an account with the same registration and tax identification number;
  - Transfer within the custodial firm for the benefit of an account with the same tax identification number; or
  - Delivery of a check written to the account holder(s) and mailed to the address on record at the custodian firm.

## **ITEM 17: VOTING CLIENT SECURITIES**

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Unless prohibited by law, clients retain the right and obligation to vote proxies and participate in legal proceedings, including bankruptcies, relating to the securities held in their accounts; provided, however, that clients may specifically delegate said rights and obligations to a properly authorized agent including CAZ.

For ERISA clients and for those cases where CAZ has been specifically delegated the proxy voting authority by the client, written proxy voting guidelines have been established. A copy of the proxy voting policies and procedures, and CAZ’s actual proxy votes for securities owned in a client’s account and voted on their behalf by CAZ, are available upon request by contacting our CCO at 713.403.8250 or [ilmassey@cazinvestments.com](mailto:ilmassey@cazinvestments.com).

### **Delegated Proxy Authority**

Clients who have different proxy voting philosophies from those generally described below, and more fully described in our guidelines, should not delegate proxy voting to CAZ. We generally will not accept standing exceptions to our Proxy Voting Guidelines. However, CAZ may accept from clients written directive exceptions to its proxy voting policy on an individual proxy vote basis. Written proxy voting directives should be forwarded to CAZ’s CCO.

CAZ generally will vote proxies according to an approach known as the “Wall Street Rule”. This means that CAZ behaves as a passive investor in its portfolio holdings and seeks to maximize shareholder value; but, not necessarily exercise control over the issuers of portfolio securities or advance a particular social agenda. CAZ will therefore vote with management recommendations on most corporate matters. If CAZ is dissatisfied with corporate management, CAZ will generally sell the securities of that corporation. However, CAZ may exercise more independent and critical evaluation of proposals relating to directors’, executives’ and employees’ compensation and benefit programs and vote these items on a case-by-case basis.

### **Proxies and Conflicts of Interest**

CAZ’s CIO or his designee reviews each proxy received to assess the extent to which there may be a material conflict of interest between the Company or Employees and clients regarding any proxy voting issues/items.

In the event that a material conflict of interest is perceived, the CIO or his designee will bring the proxy issue to the attention of the investment committee and generally will:

- Vote matters that are specifically covered by CAZ’s voting guidelines (e.g., matters where CAZ’s role is strictly in accordance with those guidelines); and
- For other matters, CAZ will seek advice from independent third-party advisers to review the issues and vote the proxies based upon their determination of what is in the best interest of its clients.

## **ITEM 18: FINANCIAL INFORMATION**

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CAZ has never filed for bankruptcy and is not aware of any financial condition expected to affect its ability to manage client accounts.

## **ITEM 19: ADDITIONAL INFORMATION**

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CAZ has no additional information to offer that would be material in making investment decisions.