

Disclosure Brochure

March 31, 2015



130 Matthews Station Street, Suite 2A
Matthews, North Carolina 28105

(704) 321-5244

www.Sapere.com

This brochure provides information about the qualifications and business practices of Sapere Wealth Management, LLC (hereinafter "Sapere" or the "Firm"). If you have any questions about the contents of this brochure, please contact Scott Trease at (704) 321-5244. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC's Investment Adviser Public Disclosure website at www.adviserinfo.sec.gov.

Sapere is an SEC registered investment adviser. Registration does not imply any level of skill or training.

Item 2. Material Changes

In this Item, Sapere is required to discuss any material changes which have been made to the brochure since the last annual amendment dated March 27, 2014. While minor revisions have been made to several items within the brochure, no material changes have been made to the substance of the document. Therefore, there is no information to disclose in relation to this Item.

Item 3. Table of Contents

Item 1. Cover Page	i
Item 2. Material Changes	ii
Item 3. Table of Contents	iii
Item 4. Advisory Business	4
Item 5. Fees and Compensation	7
Item 6. Performance-Based Fees and Side-by-Side Management	9
Item 7. Types of Clients	10
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss	11
Item 9. Disciplinary Information	15
Item 10. Other Financial Industry Activities and Affiliations	16
Item 11. Code of Ethics	17
Item 12. Brokerage Practices	18
Item 13. Review of Accounts	21
Item 14. Client Referrals and Other Compensation	22
Item 15. Custody	23
Item 16. Investment Discretion	24
Item 17. Voting Client Securities	25
Item 18. Financial Information	26

Item 4. Advisory Business

Sapere is an SEC registered investment adviser headquartered in Matthews, North Carolina and is principally owned by Scott Trease. Sapere was formed in 2002 to offer a specialized investment approach to a select client base and had \$944,998,070 in assets under management as of December 31, 2014, all of which was managed under a discretionary basis.

Sapere offers a range of investment advisory services, which include financial planning, consulting, and outsourced CIO portfolio management services. Prior to the rendering of the foregoing advisory services, clients are required to enter into a written agreement with Sapere setting forth the relevant terms and conditions of the advisory relationship (the "*Agreement*").

While this brochure generally describes the business of Sapere, certain sections also discuss the activities of its *Supervised Persons*, which refer to the firm's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on Sapere's behalf and is subject to the firm's supervision or control.

Investment Management Services

Sapere manages client investment portfolios on a discretionary basis.

Sapere primarily allocates client assets among various mutual funds, privately offered investment vehicles and private funds, some of which are managed by Sapere in accordance with the investment objectives and investment policy statement of its individual clients. Clients may also engage Sapere to advise on certain investment products that are not maintained at their primary custodian, such as variable annuity contracts, and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, Sapere directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

Sapere tailors its advisory services to accommodate the needs of its individual clients and continuously seeks to ensure that its clients' portfolios are managed in a manner consistent with their specific investment policy statement found in each client's investment management agreement. Sapere consults with clients on an initial and ongoing basis to determine their specific risk tolerance, time horizon, liquidity constraints and other factors relevant to the management of their portfolios. Clients are advised to promptly notify Sapere if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if Sapere determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the firm's management efforts.

These investment advisory services do not include securities brokerage services, as the firm does not serve as the sponsor or manager to a wrap fee program (i.e., an arrangement where brokerage commissions and transaction costs are absorbed by the firm).

Management of Collective Investment Vehicle

Sapere serves as the investment manager to a number of private pooled investment vehicles (the “*Private Funds*”). The Firm’s affiliate, Sapere Fund Management, LLC (“*SFM*”), serves as the general partner to the *Private Funds*. Interests in the *Private Funds* are privately offered pursuant to Regulation D under the Securities Act of 1933, as amended. The *Private Funds* currently rely on an exemption from registration under the Investment Company Act of 1940, as amended.

Participation as an investor in the *Private Funds* is restricted to investors that are “qualified clients” pursuant to the requirements under Rule 205-3 of the Investment Advisers Act of 1940, as well as “accredited investors” as defined under Rule 501 of the Securities Act of 1933, as amended.

Investment in the *Private Funds* involves a significant degree of risk. All relevant information, terms and conditions relative to the *Private Funds*, including the compensation received by Sapere or *SFM* as the general partner and/or investment manager, suitability, risk factors, and potential conflicts of interest, are set forth in the Confidential Private Offering Memorandum, Limited Partnership Agreement or similar shareholder agreement, and Subscription Agreement (collectively, the “*Offering Documents*”), which each investor is required to receive and/or execute prior to being accepted as an investor in the *Private Funds*.

While the *Private Funds* are generally Sapere’s client, the term “client(s)” sometimes refers to the investors in the *Private Fund*.

Sapere and *SFM* will devote their best efforts with respect to its management of both the *Private Funds* and its individual client accounts. Given the above discussion relative to the objectives, suitability, risk factors, and qualifications for participation in the *Private Funds*, Sapere and *SFM* may give advice or take action with respect to the *Private Funds* that differs from that for individual client accounts. To the extent that a particular investment is suitable for both the *Private Funds* and certain individual client accounts, such investments will be allocated between the *Private Funds* and the individual client accounts pro rata based on the assets under management or in some other manner which Sapere determines is fair and equitable under the circumstances to all of its clients.

Financial Planning and Consulting Services

Sapere offers clients a range of financial planning and consulting services which may include any or all of the following functions:

- Tax Planning
- Budget Analysis
- Investment Planning
- Insurance Planning
- Estate Planning
- Retirement Planning
- Business Planning
- Employee Benefits Planning
- College Education Funding
- Charitable Giving

In performing these services, Sapere is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. Sapere may recommend the services of itself and/or other professionals to implement its recommendations.

Clients are advised that a conflict of interest exists if Sapere recommends its own services. Clients are under no obligation to act upon any of the recommendations made by Sapere under a financial planning or consulting engagement or to engage the services of any such recommended professional, including Sapere itself. Clients retain absolute discretion over all such implementation decisions. Clients are advised that it remains their responsibility to promptly notify Sapere if there is ever any change in their financial situation or investment objectives as identified in the client's investment policy statement found in the client's executed investment management agreement, for the purpose of reviewing, evaluating, or revising Sapere's previous recommendations and/or services.

Item 5. Fees and Compensation

Sapere offers its services on a fee basis, which may include fees based upon assets under management, as well as fixed and hourly fees.

Investment Management Fees

Sapere provides investment management services for an annual fee equal to one percent (1%) of the market value of the assets under the Firm's management. Sapere's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Sapere does not, however, receive any portion of these commissions, fees, and costs. For the initial calendar quarter of services, Sapere's fee is prorated and charged in arrears, while in subsequent quarters the annual fee is prorated and charged quarterly, in advance. Fees are based upon the market value of the assets on the last day of the previous quarter.

Sapere, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (e.g., legacy client, *pro bono* activities, etc.).

Fees Charged by Financial Institutions

As further discussed in response to Item 12 (below), Sapere generally recommends that clients utilize the brokerage and clearing services of Fidelity Institutional Wealth Services ("*Fidelity*").

Sapere may only implement its investment management recommendations after the client has arranged for and furnished Sapere with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Fidelity*, any other broker-dealer recommended by Sapere, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as fees charged by managers to privately placed securities, custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), 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. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Sapere's fee.

Fee Debit

Sapere's *Agreement* and the separate agreement with any *Financial Institutions* authorizes Sapere to debit the client's account for the amount of Sapere's fee and to directly remit that management fee to Sapere. Any *Financial Institutions* recommended by Sapere 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 Sapere.

Fees for Management During Partial Quarters of Service

The *Agreement* between Sapere and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. Sapere's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to Sapere's right to terminate an account. Additions may be in cash or securities provided that Sapere reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to Sapere, subject to the usual and customary securities settlement procedures. However, Sapere designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Sapere may consult with its 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 or withdrawn from an account after the inception of a quarter that exceed 10% of the starting portfolio value for that quarter, the fee payable with respect to such assets will be prorated based on the number of days remaining in the quarter.

Financial Planning and Consulting Fees

Sapere may charge a fixed fee and/or hourly fee for standalone financial planning and consulting services. These fees are negotiable, but generally range from \$1,000 to \$15,000 on a fixed fee basis and/or from \$125 to \$500 on an hourly basis, depending upon the level and scope of the services and the professional rendering them. If the client engages Sapere for additional investment advisory services, Sapere may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging Sapere to provide financial planning and/or consulting services, the client is required to enter into a written agreement with Sapere setting forth the terms and conditions of the engagement. Generally, Sapere requires one-half of the financial planning/consulting fee (estimated hourly or fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

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

Sapere does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

Item 7. Types of Clients

Sapere provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities.

Minimum Fee

As a condition for starting and maintaining a relationship, Sapere generally imposes a minimum annual fee of \$50,000. This minimum fee may have the effect of making Sapere's services impractical for certain clients with smaller accounts. In addition, Sapere reserves the right to impose a minimum fee of \$250 per quarter on any account which would otherwise have fees falling below \$1,000 per year. Sapere, in its sole discretion, may waive its minimum annual fee based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities.

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

Methods of Analysis

SWM utilizes a variety of methods and strategies to make investment decisions and recommendations with a primary emphasis on fundamental, top-down global macroeconomic analysis. These methods involve fundamental economic research, charting and technical analysis, encompassing value-driven, mean-reversion type thinking with a one-to-three year time horizon. In other words, SWM dedicates a significant amount of time "reading and thinking" to better understand the global macroeconomic environment of the day and then identifying the specific economic habitat that is present. Once the specific economic environment or economic habitat is identified, SWM deploys assets into instruments/securities that are believed to be positioned to consistently achieve a successful investment outcome. SWM believes that both safety and profits are rooted in buying/ selling short assets that exhibit abnormally large risk premiums, and then patiently waiting for a return to normalcy to harvest expected positive returns.

Investment Strategies

This section sets forth the quantifiable investment objective, the eligible investment universe, the risk profile, and the liquidity objective that Sapere seeks to achieve.

Investment Management Objectives:

Sapere manages its model portfolios (the "*Models*") from an absolute return perspective (as compared to the more traditional relative return perspective). Sapere believes that the client expects their professional advisors to achieve an agreed-upon outcome rather than simply "beating" an arbitrary index or benchmark. Simply said, absolute return investing focuses on achieving positive investment outcomes over adherence to a pre-defined investment process where the outcome is secondary. This means that Sapere deploys clients' investment capital only where it: 1) sees opportunities for above-average returns with minimal risk of capital loss and without sacrificing ample liquidity, 2) has confidence that it understands the opportunity and is not drifting into an area that is beyond Sapere's level of collective expertise, and 3) is able to secure assets at a price so demonstrably far below historical norms that a patient investor would reasonably conclude that a simple return to normalcy will deliver attractive positive returns without regard for the direction of traditional investments like the stock market.

Model Portfolio Attributes:

Allocation. The *Models* are comprised of various registered and unregistered funds, exchange traded funds, and private investments funds for which Sapere or its affiliates serve as general partner or investment manager (the *Private Funds* discussed above).

Liquidity: Sapere values liquidity highly and actively manages both investment and client liquidity. In general:

- A minimum of one third of a client's portfolio will be available to the client on no more than a monthly basis. Sapere will seek to accommodate requests for intra-month liquidity, in consultation with the client.
- From time to time Sapere may consider investing in opportunities or strategies that require commitments of greater than one year. Sapere will notify the client prior to making such investments. Such investments are not expected to exceed 40% of the client portfolio.
- Asset Class Constraints: Sapere has discretion to construct the holistic portfolio without any "asset class" limitations as long as the chosen investments remain within the stated liquidity constraints.
- Volatility: Sapere seeks to keep the maximum peak-to-trough drawdown for the holistic portfolio at less than twenty percent (20%).

Spending Policy: If Sapere is able to attain the targeted investment objectives, portfolio growth will be sufficient to successfully execute a minimum annual spending policy without invading invested capital, in inflation-adjusted terms.

Safekeeping: Client assets are held by third party custodians. With respect to the *Private Funds*, custody is held by major custodians and prime brokers, and administered by major independent administrators who verify the existence and the value of the assets at least quarterly.

Valuation: All portfolio assets are valued by third parties. Sapere does not provide pricing for any client asset.

Affiliated Funds: As discussed above, Sapere may create private investment funds or accounts to achieve investment objectives and capture certain advantages not available in the public markets. If an allocation is made to a *Private Fund*, Sapere will provide full offering materials to the client, including subscription documents. Fees from the client to the advisor are only charged once; absent specific discussion with the client, the client will not be charged additional fees at the *Private Fund* level.

The appropriate model portfolio will be determined by Qualified Purchaser, Accredited Investor and Qualified Client status as well as the total market value of the assets Sapere is being asked to manage.

Risks of Loss

General Risk of Loss

Investing in securities involves the risk of loss. Clients should be prepared to bear potential loss.

Market Risks

The profitability of a significant portion of Sapere's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds, currencies and commodities. There can be no assurance that Sapere will be able to predict those price movements accurately.

Mutual Funds and Exchange-Traded Funds (ETFs)

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their *pro rata* NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Use of Private Collective Investment Vehicles

Sapere recommends that certain clients invest in privately placed collective investment vehicles (e.g., hedge funds, private equity funds, etc.). The managers of these vehicles have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. Hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. Clients should consult each fund's private placement memorandum and/or other documents explaining such risks prior to investing.

Management Through Similarly Managed “Model” Accounts

Sapere manages certain accounts through the use of similarly managed “model” portfolios, whereby the firm allocates all or a portion of its clients’ assets among various mutual funds and/or securities on a discretionary basis using one or more of its proprietary investment strategies. In managing assets through the use of models, the firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940.

The strategy used to manage a model portfolio may involve an above average portfolio turnover that could negatively impact clients’ net after tax gains. While the firm seeks to ensure that clients’ assets are managed in a manner consistent with their individual investment policy statement, securities transactions effected pursuant to a model investment strategy are usually done without regard to a client’s individual tax ramifications. Clients should contact Sapere if they experience a change in their financial situation or if they want to impose reasonable restrictions on the management of their accounts.

Item 9. Disciplinary Information

Sapere has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management.

Item 10. Other Financial Industry Activities and Affiliations

Affiliated Private Investment Funds

Sapere serves as the investment adviser to the *Private Funds* and *SFM* is the general partner to certain of the *Private Funds*. In addition, *SFM* is registered with the National Futures Association and serves as the investment manager and general partner of the Sapere CTA Fund, LP, a managed futures fund.

Item 11. Code of Ethics

Sapere and persons associated with Sapere (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients consistent with Sapere’s policies and procedures.

Sapere has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“*Code of Ethics*”). In accordance with Section 204A of the Investment Advisers Act of 1940 (the “Advisers Act”), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by Sapere or any of its associated persons. The *Code of Ethics* also requires that certain of Sapere’s personnel (called “*Access Persons*”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in Sapere’s *Code of Ethics*, none of Sapere’s *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of Sapere’s clients.

When Sapere is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when Sapere is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

As discussed above in response to Item 4, an affiliate of Sapere is the general partner to the *Private Funds*. Sapere may recommend, on a fully disclosed basis, that certain clients invest in the *Private Funds*. As such, a conflict of interest exists to the extent that Sapere recommends that clients invest in one or more of the *Private Funds*. Sapere does not receive any additional compensation if a client invests in the *Private Funds*. As such, Sapere does not believe this arrangement poses any additional conflict of interest.

Clients and prospective clients may contact Sapere to request a copy of its *Code of Ethics*.

Item 12. Brokerage Practices

As discussed above, in Item 5, Sapere generally recommends that clients utilize the brokerage and clearing services of *Fidelity*.

Factors which Sapere considers in recommending *Fidelity* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Fidelity* enables Sapere to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Fidelity* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by Sapere's clients comply with Sapere's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where Sapere determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Sapere seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other *Financial Institutions* with whom Sapere and the *Financial Institutions* have entered into agreements for prime brokerage clearing services. Sapere periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct Sapere in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and Sapere will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by Sapere (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Additionally, in the event the client directs Sapere to provide advisory services to accounts held at more than one broker-dealer, Sapere shall charge an additional administrative fee of \$1,000.00 per quarter over and above its customary fee. Subject to its duty of best execution, Sapere may decline a client's request to direct brokerage if, in Sapere's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless Sapere decides to purchase or sell the same securities for several clients at approximately the same time. Sapere may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable

commission rates, or to allocate equitably among Sapere's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Sapere's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Sapere determines to aggregate client orders for the purchase or sale of securities, including securities in which Sapere's *Supervised Persons* may invest, Sapere generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Sapere does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Sapere determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, Sapere may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Sapere maintains a trade error account at *Fidelity* for reimbursement when errors result in losses to clients. However, it is Sapere's intention to keep trade error gains in the event of such an occurrence.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Sapere in its investment decision-making process. Such research generally will be used to service all of Sapere's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Sapere does not have to produce or pay for the products or services.

Software and Support Provided by Financial Institutions

Sapere may receive from *Fidelity*, without cost to Sapere, computer software and related systems support, which allow Sapere to better monitor client accounts maintained at *Fidelity*. Sapere may receive the software and related support without cost because Sapere renders investment management services to clients that maintain assets at *Fidelity*. The software and related systems support may benefit Sapere,

but not its clients directly. In fulfilling its duties to its clients, Sapere endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Sapere's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Sapere's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, Sapere may receive the following benefits from *Fidelity* through the Fidelity Institutional Wealth Services Group: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Institutional Wealth Services Group participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

Item 13. Review of Accounts

Account Reviews

For those clients to whom Sapere provides investment management services Sapere will review the client's portfolio at least quarterly and make any adjustments to investment allocations as dictated by Sapere's Office of the CIO. For those clients to whom Sapere provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by the Principal of Sapere, Scott Trease and/or any of the investment adviser representatives under his supervision. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Sapere and to keep Sapere informed of any changes thereto. Sapere makes a concerted effort to contact its ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Account Statements and General Reports

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the accounts. Those clients to whom Sapere provides investment advisory services will also receive a report from Sapere that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from Sapere.

Financial Planning and Consulting Reports

Those clients to whom Sapere provides financial planning and/or consulting services will receive reports from Sapere summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by Sapere.

Item 14. Client Referrals and Other Compensation

Client Referrals

Sapere may provide compensation to certain third parties for client referrals. In the event a client is introduced to Sapere by a solicitor, Sapere may pay that solicitor a one-time referral fee in accordance with applicable laws, rules and regulations. All referral fees are paid solely from Sapere's management fee and do not result in any additional charges to the firm's clients. In these situations, clients are advised of the solicitation relationship with Sapere and are provided with the appropriate brochure prior to or at the time the *Agreement* is executed. All third-party solicitors who are not affiliated with Sapere also provide clients with a copy of the solicitor's disclosure statement containing the terms and conditions (including compensation) of the solicitation arrangement.

Other Economic Benefit

Sapere may receive an economic benefit from a third party (non-client) for providing investment advice to the firm's advisory clients. This type of relationship poses a conflict of interest, as discussed in Item 12.

Item 15. Custody

Sapere's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize Sapere through such *Financial Institution* to debit the client's account for the amount of Sapere's fee and to directly remit that management fee to Sapere in accordance with applicable custody rules.

The *Financial Institutions* recommended by Sapere 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 Sapere. In addition, as discussed in Item 13, Sapere also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from Sapere.

Furthermore, the *Private Funds* will be audited annually by an accounting firm registered with the Public Company Accounting Oversight Board, and the financials distributed to investors.

Item 16. Investment Discretion

Sapere is given the authority to exercise discretion on behalf of clients. Sapere is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Sapere is given this authority through a power-of-attorney included in the agreement between Sapere and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Sapere takes discretion, in writing, over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The commission rates to be paid.

Item 17. Voting Client Securities

Sapere may vote client securities (i.e., proxies) on behalf of its clients. When Sapere accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully described in Sapere's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in Sapere's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact Sapere to request information about how Sapere voted proxies for that client's securities or to get a copy of Sapere's Proxy Voting Policies and Procedures.

A brief summary of Sapere's Proxy Voting Policies and Procedures is as follows:

- Sapere is responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- Sapere votes proxies according to Sapere's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, Sapere devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct Sapere's vote on a particular solicitation but can revoke Sapere's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that Sapere maintains with persons having an interest in the outcome of certain votes, Sapere takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

Item 18. Financial Information

Sapere is not required to disclose any financial information pursuant to this Item due to the following:

- The firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance;
- The firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The firm has not been the subject of a bankruptcy petition at any time during the past ten years.



Prepared by:

