

## **Firm Brochure**

(Part 2A of Form ADV)



**Saguenay Strathmore Capital, LLC**

**2 Manhattanville Road**

**Purchase, NY 10577**

**(914) 729-2411**

**(914) 729-2421**

**[www.sscinvest.com](http://www.sscinvest.com)**

**[saddonizio@sscinvest.com](mailto:saddonizio@sscinvest.com)**

This brochure provides information about the qualifications and business practices of Saguenay Strathmore Capital, LLC. If you have any questions about the contents of this brochure, please contact Samantha Addonizio, Chief Compliance Officer, at: (914) 729-2420 or by email at: [saddonizio@sscinvest.com](mailto:saddonizio@sscinvest.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 Saguenay Strathmore Capital, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Saguenay Strathmore Capital, LLC is registered as an investment adviser with the SEC under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act"). SEC registration does not imply a certain level of skill or training.

March 17, 2015

## **ITEM 2 – MATERIAL CHANGES**

Saguenay Strathmore Capital, LLC (“SSC”) is updating the firm’s Part 2A of Form ADV: Firm Brochure (the “Brochure”), as of March 17, 2015, in connection with its annual amendment filing, to reflect the following material changes SSC made to this Brochure since its previous annual amendment filing on March 21, 2014

- Effective February 24, 2014, Stephen Harvey was appointed an Investment Committee member.
- SSC added a new category of client, Advised Accounts, and a description of the services provided to the Advised Accounts.
- SSC also made certain clarifying amendments to the Brochure.

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#### Item 4. Advisory Business

Saguenay Strathmore Capital, LLC, ("SSC") became a SEC registered investment adviser on January 27, 2006 and specializes in alternative assets with its principal place of business in Purchase, NY. Founded in 2002 as a family office investment adviser, SSC advises an expanded base of clients which currently include: (i) fund of private investment funds (the "Funds"); (ii) separately managed advisory accounts, which consist of family offices, high net worth individuals and institutional investors (collectively referred to herein as the "Managed Accounts") and (iii) non-discretionary advisory accounts ("Advised Accounts", and together with the Funds and Managed Accounts, the "Advisory Clients"). Until September 2011, SSC conducted operations under its former name "Saguenay Capital, LLC."

It should also be noted that SSC is registered as an Exempt Market Dealer and Portfolio Manager with: the British Columbia Securities Commission, the Alberta Securities Commission, the Ontario Securities Commission and Quebec's l'Autorité des marchés financiers; and as an Investment Fund Manager with the Ontario Securities Commission and Quebec's l'Autorité des marchés financiers.

SSC and two of its affiliates, Saguenay Strathmore Capital LLP, a UK-based entity authorised by the UK Financial Conduct Authority and registered as a Portfolio Manager with the Ontario Securities Commission., and Saguenay Strathmore Capital Inc., an Ontario-based entity registered as an Exempt Market Dealer and Portfolio Manager with: the Ontario Securities Commission and Quebec's l'Autorité des marchés financiers; (collectively, the "Group Affiliates"), have entered into a services agreement, pursuant to which the Group Affiliates established inter alia a five-member investment committee (the "Investment Committee"). The members of the Investment Committee are Brian E. Walsh, David S.C. Dobell and John L. Murphy of SSC, together with Emlyn A. Palmer and Stephen Harvey, who are both officers and directors of the various Group Affiliates. The members of the Investment Committee are also the members of the firm's Portfolio Review Committee. The Investment Committee reviews and approves all investment opportunities presented to SSC's Funds and Managed Accounts. At least one member of the Investment Committee reviews investment opportunities presented to the Advised Accounts. The Portfolio Review Committee reviews all discretionary decisions regarding the acquisition and disposition of investments by the Funds and all discretionary and non-discretionary investment recommendations for the Managed Accounts. For Advised Accounts, an individual member of the Investment Committee/Portfolio Review Committee shall provide non-discretionary and non-binding investment advice to each Advised Account though a report of all such recommendations is provided, at least quarterly, to the entire Portfolio Review Committee for review.

SSC's investment focus is on private investment funds, more commonly known as "hedge funds", and its first priority is the preservation of capital followed by the pursuit of long term, absolute risk adjusted returns irrespective of the market direction of traditional asset classes such as stocks and bonds. SSC generally invests the assets of

the Advisory Clients in pooled investment vehicles managed by other investment managers selected by SSC (the "Portfolio Managers") on a discretionary basis in the case of the Funds and certain of the Managed Accounts, and on a non-discretionary basis in the case of the other Managed Accounts. Such pooled investment vehicles include private investment partnerships or other investment vehicles which may include separately managed accounts (the "Portfolio Funds"). For the Advised Accounts, SSC may also provide non-discretionary and non-binding investment advice which includes asset allocation, currency allocation, portfolio manager selection and portfolio performance analysis. For these clients, SSC may recommend private or public securities, funds, structured products, and fixed income products.

SSC's management believes that the hedge fund market has become "institutionalized" and that superior returns can be generated by firms who pursue active asset allocation and disciplined manager selection. SSC has a ten year track record and believes it is positioned to achieve its clients' investment objectives in this challenging environment.

SSC's principals have over 100 years (in the aggregate) of experience derived from prior positions, which include, senior levels in global capital markets, corporate finance and investment management. Such experience supports a seasoned, balanced perspective that is essential to understanding and assessing the market and business risks of the wide array of hedge fund strategies deployed around the world.

The sole member and principal owner of SSC is Saguenay Strathmore Holdings Limited ("SSHL"), a limited liability company incorporated in Jersey, Channel Islands. The Board of Directors of SSHL comprises of Brian Walsh, John Murphy, Dave Dobell and Emlyn Palmer. These individuals collectively own SSHL; however, Brian Walsh is the principal owner of SSHL.

With respect to the Funds, SSC neither tailors its advisory services to the individual needs of investors within the Funds nor accepts investor-imposed investment restrictions. However, SSC, in its sole discretion, may (through the use of side letters or other agreements), in effect, modify certain of the offering terms for investors that are principals, employees or affiliates of SSC or relations of such persons and for certain large, strategic or other investors. In the case of the Managed Accounts, SSC has: (i) tailored the investment objectives to the specific objectives/restrictions of such Advisory Client; and/or (ii) individually negotiated the terms and fees for the Advisory Client, which may be different to the terms and fees than those of the Funds or Advised Accounts. In the case of the Advised Accounts, SSC provides overall portfolio management advice (i) tailored to meet the specific investment objectives/restrictions of a specific portfolio(s) of an Advisory Client; and or (ii) individually negotiates the terms and fees for such Advisory Client, which may be different to the terms and fees than those of the Funds or Managed Accounts.

As of December 31, 2014, SSC managed \$1,105,395,236 in regulatory assets for approximately 18 clients. \$822,966,020 of these regulatory assets is managed on a discretionary basis, and \$282,429,216 of these regulatory assets is managed on a non-discretionary basis.

## **Item 5. Fees and Compensation**

The management fee ("Management Fee") for both discretionary and the majority of non-discretionary advisory services is as follows: SSC receives a Management Fee from each Fund and a Management or Advisory Fee from its other Advisory Clients ranging from .10% to 1.20% annually, depending on the service provided and the of the value of the assets in an Advisory Client's portfolio managed or advised by SSC. Depending on the Fund, Management Fees are payable either in advance at the beginning of each quarter; in advance at the beginning of each month or monthly after the first day of the month, based on the market value of the assets in such Fund on the first day of such quarter/month. The Management Fee will be pro-rated for any period that is less than a full fiscal quarter/month if an investor in such Fund withdraws/redeems. The Management Fee will also be adjusted for any additional subscriptions. Certain of the Managed Accounts' or Advised Accounts' Management Fees are fixed and payable quarterly in advance.

SSC may also be paid a performance-based fee, which is compensation that is based on a share of capital gains on or capital appreciation of the assets of an Advisory Client. This compensation may range from 5 – 12% of net profits, which is either paid annually or when a withdrawal/redemption is paid out, depending on the Fund. It should be noted that one of the Fund's performance-based fee is accrued quarterly and is not paid until after the final distribution is paid to investors. Under certain circumstances, receipt of performance-based compensation may be subject to a hurdle rate of up to 6%.

SSC, in its sole discretion, may waive or reduce the Management Fee and/or the performance based fees for principals, employees or affiliates of SSC or relations of such persons and for certain large, strategic or other investors.

Management and performance fees for the Funds are deducted from Fund accounts by instructing the respective Fund's administrator. Fees for the Managed Accounts and Advised Accounts are billed as negotiated with the individual Advisory Client.

The Management Fee paid to SSC is in addition to the management and performance fees paid by the Advisory Clients to the Portfolio Managers. The fees earned by the Portfolio Managers may involve both management fees (generally from 1% to 2%) based on the value of the Fund or the other Advisory Clients' assets allocated to such Portfolio Manager and performance fees based on profits generated by such Portfolio Manager (generally 20% of such profits).

The Funds are also subject to legal, accounting (including outsourced accounting), auditing and other professional expenses, director fees and expenses (including Directors and Officers insurance), administrator fees and expenses, organizational expenses, investment expenses such as commissions, research expenses (including research-related travel), interest on margin accounts and other loans, custodial fees,

fees paid to Portfolio Managers, the pro rata share of the expenses of any investment entities or accounts in which the Funds may invest and other reasonable expenses related to the purchase, sale or transmittal of the Funds' assets. Please also refer to Item 12 – Brokerage Practices for further information.

Fees and expenses with respect to the Managed Accounts and Advised Accounts are each subject to different terms and fees as such fee arrangements and terms are separately negotiated between SSC and the respective Managed Account and/or Advised Account.

**It is very important that investors/Advisory Clients refer to the relevant confidential private offering memorandum and other governing documents for a complete understanding of how SSC is compensated. The information contained herein is a summary only and is qualified in its entirety by such documents.**

#### **Item 6. Performance-Based Fees**

SSC and its investment personnel provide investment management services to multiple Advisory Clients. SSC is entitled to be paid performance-based compensation by certain Funds and certain Managed Accounts and Advised Accounts. In addition, certain Advisory Client accounts may have higher asset-based fees or more favorable performance-based compensation arrangements than other accounts. When SSC and its investment personnel manage more than one Advisory Client account a potential exists for one Advisory Client account to be favored over another Advisory Client account. SSC and its investment personnel may have a greater incentive to favor Advisory Client accounts that pay SSC higher fees. SSC recognizes that it is a fiduciary and as such must act in the best interests of its Advisory Clients. SSC further recognizes that it must treat all Advisory Clients fairly and must refrain from favoring one Advisory Client's interests over another's. In order to address these conflicts, SSC regularly assesses the allocation of its resources, including investment personnel, among its Advisory Clients to ensure adherence to its fiduciary duties. Further, SSC's procedures relating to the allocation of investment opportunities require that similarly managed accounts participate in investment opportunities based on account liquidity, account requirements for liquidity and timing of cash flows, as well as other factors set forth in Item 16.

#### **Item 7. Types of Clients**

SSC advises a base of clients which include the Funds, which are private investment funds, the Managed Accounts and the Advised Accounts both of which can include family offices, high net worth individuals and other institutional investors. With respect to the Funds, the initial and additional subscription minimums are disclosed in the offering memorandum for the pooled investment vehicle; the initial minimum is generally \$1 million. SSC, in its sole discretion, may modify the initial and additional investment

minimums. The minimum size of a Managed Account and an Advised Account is negotiable.

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

For the Funds and the Managed Accounts, SSC utilizes a combination of top-down (macro) analysis and bottom-up fund selection to select and allocate assets among its portfolios of hedge funds. SSC's research and manager evaluation process aims to select only those Portfolio Managers whose investment styles and strategies have previously earned, or are designed to earn, consistent, above-average, risk-adjusted, long-term returns.

SSC has developed knowledge of the universe of hedge funds, other private investment funds and similar accounts sponsored by Portfolio Managers and has developed a disciplined procedure for evaluating, selecting and monitoring performance of such Portfolio Managers. While Portfolio Managers inherently have a degree of opaqueness because they do not disclose details of their portfolios and typically only report their performance on a periodic basis, SSC seeks to mitigate this opaqueness by adhering to its due diligence process.

Top-down macro analysis incorporates an assessment of various factors to determine which asset classes, investment strategies and styles SSC believes should experience a favorable investment climate for the foreseeable future. These factors include general market conditions and the outlook for the global economy and key asset classes, including valuation and technical factors; capital inflows or outflows to the various asset classes and investment styles; and geopolitical events.

Bottom-up fund selection involves screening and ongoing monitoring of the universe of Portfolio Managers, and selection of Portfolio Managers which meet SSC's due diligence standards. Once a Portfolio Manager has been selected, its impact on a client portfolio is evaluated from the perspective of the portfolio's resulting asset allocation and risk concentrations. In addition, SSC will evaluate and assess each client portfolio's key risk factors in combination with the key risk factors of other Portfolio Managers in order to prevent risk concentrations, including the impact on the client portfolio's diversification of assets and the expected impact on the portfolio's volatility. Once a Portfolio Manager is included in the portfolio of a Fund, its performance will be monitored on an ongoing basis.

The identity and number of Portfolio Managers for each Fund is likely to change over time. SSC may remove a Portfolio Manager or appoint new Portfolio Managers without prior notice to or the consent of the investors in the Funds.

SSC reserves the right to alter or modify the investment strategies of each Fund in light of available investment opportunities or to take advantage of changing market



conditions, where SSC concludes that such alterations or modifications are consistent with the goal of maximizing returns to investors.

For the Advised Accounts, SSC will provide overall portfolio management advice that is non-binding and non-discretionary. SSC will review current portfolio holdings and provide advice regarding the portfolio's asset allocation, currency allocation, selection of underlying investment products and performance analysis in light of the investment objectives and restrictions determined in consultation with the Advised Account. SSC will periodically review each Advised Account and provide a report to the Advised Account at an interval agreed upon between SSC and the Advised Account. SSC's portfolio advice may include investment products such as SSC's Funds. In such cases, SSC has a conflict of interest because SSC may receive compensation at a higher rate for an investment into an SSC Fund than that charged to the Advised Accounts in accordance with its Advised Account agreement. In such case where SSC receives a fee for Advised Account assets invested into an SSC Fund, SSC will not charge an additional fee on such assets at the Advised Account level. SSC's portfolio advice to Advised Accounts will also include third party investment products such as hedge funds, mutual funds, exchange traded funds, and other public and private investment vehicles and products, depending on the profile of the Advised Account's portfolio. SSC will assist Advised Accounts with regards to the allocation of their assets among various portfolio investments. SSC will review the relevant materials for the third party investment products. Clients will receive materials from for such investment product that will contain the necessary disclosure applicable to each investment product and also enable the Advised Account to engage the investment product directly. SSC does not act as a custodian or broker for any Advised Account.

SSC's services for Advised Accounts are generally intended for investors that seek to establish medium to long term strategic investment goals, desire assistance and advice in connection with the construction of investment portfolios and who prefer the consistency of a fee based approach. SSC's services are not typically intended for investors who have a short term investment horizon, who expect on-going or frequent withdrawals or who expect to maintain, over an extended period of time, high levels of cash or highly concentrated portfolios.

The following is a general description of the various core investment styles which SSC generally represents SSC's main, but not exclusive, focus for its Advisory Clients:

- Long / Short Equity. Portfolio Managers who employ the long/short equity style typically take long and short positions in publicly traded equity securities. Various derivative strategies may also be employed by long/short Portfolio Managers. The resulting portfolio may be either long-biased or short-biased depending on the market view of the Portfolio Manager. Because of the long/short bias, returns will not be completely independent of market moves. Security selection is typically based on fundamental research.

- Fixed Income Arbitrage. Portfolio Managers who employ fixed income arbitrage strategies attempt to capture mispricing within and across global fixed income markets and their associated derivative markets. The markets where anomalies may exist from time to time include government bond markets, corporate debt markets and mortgage and other asset-backed markets. Typically these strategies attempt to capture trading anomalies within and between, rather than outright predictions of the directions in interest rates. Identified anomalies are usually small and Portfolio Managers utilize leverage to enhance their returns.
- Event Driven: including distressed securities, risk arbitrage, and multi-strategy.

Portfolio Managers who employ distressed securities/event driven strategies take long and short positions in the equity, debt and derivative securities of companies which are in financial distress, in a bankruptcy proceeding or in a major restructuring. Investment ideas in the distressed sector may be implemented in any one of, or combination of, financial instruments including, but not limited to, bank loans, secured or unsecured bond obligations, equities and derivatives on the underlying securities. Style of investment may range from directional long, where the Portfolio Manager expects the investment to appreciate, to directional short, where the Portfolio Manager expects the investment to depreciate, to capital structure arbitrage, where the Portfolio Manager expects one portion of the capital structure of a specific company to outperform another portion of the capital structure. In general, the distressed debt market is less liquid than other markets.

Portfolio Managers who employ risk or merger arbitrage usually invest in the securities of companies involved in mergers or acquisitions. Risk arbitrageurs are typically long the stock of the company being acquired and short the stock of the acquirer. The major risk is deal risk, or the possibility that the merger or acquisition will not go through.

- Convertible Arbitrage. Portfolio Managers who employ convertible arbitrage strategies seek to profit from the mispricing of the imbedded option in a convertible security. Frequently, this strategy is characterized by a long convertible position and a corresponding short position in the underlying equity.
- Quantitative/Volatility/Statistical Arbitrage. Portfolio Managers employing quantitative strategies generally use sophisticated computer models to identify market anomalies or to predict price movements in various securities markets. Typically, the Portfolio Manager does extensive testing of its model on historical price series to validate the model. Quantitative strategies can have significant diversification benefits because they often generate returns that are counter-cyclical to major security trends.

Volatility strategies are usually designed to generate good returns during periods of market dislocation. The volatility strategies SSC will focus on will typically be long volatility, which implies that the strategy will benefit during periods of distressed markets. As such, like quantitative strategies, Portfolio Managers employing volatility strategies can have significant diversification benefits.

- **Global Macro.** Portfolio Managers employing global macro strategies seek to profit from changes in global financial markets and take positions to exploit changes in interest rates, exchange rates, liquidity and other macro-economic factors. Investment ideas may be executed through a variety of financial instruments including long or short cash securities, futures contracts, derivative contracts or options. Global macro funds may employ a variety of asset classes including equities, fixed income, currencies or commodities and typically employ leverage in their portfolios.

- **Emerging Markets.** Portfolio Managers employing emerging market strategies seek to profit from changes in the value of fixed income and equity securities in emerging markets around the world. Although Portfolio Managers employing emerging market strategies may invest in any asset class and construct their portfolio on any basis, many emerging markets do not allow short selling, nor offer viable futures or other derivative products with which to hedge. Accordingly, emerging market Portfolio Managers often employ a long-only strategy.

- **Structured Credit.** Some Portfolio Funds will be primarily composed of marketable securitized and structured financial product investments. While it is anticipated that a substantial majority of the investments of these types of Portfolio Funds will be focused on US residential mortgage-backed securities ("RMBS"), the Funds may also invest indirectly through the Portfolio Funds in a variety of other structured finance securities including asset-backed securities, commercial mortgage-backed securities, collateralized mortgage obligations, collateralized loan obligations and collateralized debt obligations. The Portfolio Managers of some or all of these types of Portfolios Funds may also seek to take advantage of attractive distressed investment opportunities by selectively acting as a liquidity provider for assets that may be onerous for banks to hold on their balance sheets, and may also invest in other distressed assets or special situations, as well as illiquid assets.

- **Other.** Some Portfolio Managers deploy market strategies that do not conform to the above classifications. Such strategies may be too diversified to fit in any of the above classifications or they could be involved in other markets such as commodities or energy or volatility.

**SSC's investment program may be deemed speculative and is not intended as a complete investment program. The program is designed only for experienced**

**and sophisticated persons who are able to bear the risk of substantial impairment or total loss of their investment.**

In addition, investors in hedge funds that employ the following strategies may also face the following investment risks:

*Arbitrage Transaction Risks.* If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, losses can occur which can be magnified to the extent the Portfolio Managers employ leverage. Moreover, arbitrage strategies often depend upon identifying favorable “spreads”, which can also be identified, reduced or eliminated by other market participants.

*Distressed Situation Risk.* Investment in distressed situations exposes the hedge fund to significant risks, including: the difficulty in obtaining information as to the issuer’s true condition; regulatory risk, including laws relating to fraudulent conveyances, voidable preferences, lender liability and bankruptcy; litigation risk; liquidity risk; and collection risk (especially, when dealing with sovereign debt). Moreover, to the extent a hedge fund is invested in sovereign debt obligations, those investments will be subject to additional risks and considerations not present in private distressed situations, including the uncertainties involved in enforcing and collecting debt obligations against sovereign nations, which are affected by world events, changes in U.S. foreign policy and other factors outside of the control of the Portfolio Managers.

*Hedging.* There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while the Portfolio Managers may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Portfolio Managers investment portfolios than if the Portfolio Managers did not engage in any such hedging transactions.

*Interest Rate Risks.* Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. This risk is greater for long-term securities than for short-term securities.

*Issuer-Specific Changes.* Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources.

*Lack of Diversification.* The underlying funds in which client accounts are invested will not be diversified among a wide range of types of securities,

countries or industry sectors. Accordingly, client portfolios are subject to more rapid change in value than would be the case if the Portfolio Managers were required to maintain a wider diversification among types of securities and other instruments.

*Leverage.* Performance may be more volatile if the underlying fund in which a client's account is invested employs leverage.

*Relative Value Risk.* In the event that the perceived mispricings underlying the Portfolio Managers' relative value trading positions were to fail to converge toward, or were to diverge further from, relationships expected by the Portfolio Managers, client accounts may incur a loss.

*Short Selling Risk.* The Portfolio Managers' investment programs may include a significant amount of short selling. Short selling transactions expose the Portfolio Managers to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by a Portfolio Manager in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the Portfolio Manager might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

Portfolio Managers whose strategies utilize the following types of securities may also face the risks set for below which are specific to the type of security:

*Asset-Backed Securities.* Asset-backed securities are subject to interest rate risk and, to a lesser degree, prepayment risk. Asset-backed securities are subject to additional risks in that, unlike mortgage-backed securities, asset-backed securities generally do not have the benefit of a security interest in the related collateral. Each type of asset-backed security also entails unique risks depending on the type of assets involved and the legal structure used. In addition, asset-backed securities experience credit risk. There is also the possibility that recoveries on repossessed collateral may not be available to support payments on these securities because of the inability to perfect a security interest in such collateral.

*Commodity Futures and Options.* Commodity futures markets are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. In addition, because of the low margin deposits normally required in commodity futures trading, a high degree of leverage may be typical of a pooled investment vehicle engaging in commodity futures trading. As a result, a relatively small price movement in a commodity futures contract may result in substantial losses to such a pooled

investment vehicle. Commodity options, like commodity futures contracts, are speculative, and their use involves risk. Specific market movements of the cash commodity or futures contract underlying an option cannot be predicted, and no assurance can be given that a liquid offset market will exist for any particular futures option at any particular time.

*Derivatives.* Swaps, and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments require a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying the derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the client or the Portfolio Managers. Further, transactions in derivative instruments are not undertaken on recognized exchanges, and will expose the client's account to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.

*Distressed Securities.* Investments in unrated or low grade debt securities of distressed companies are subject to greater risk of loss of principal and interest than higher-rated debt securities. Also, securities of distressed companies are generally more likely to become worthless than the securities of more financially stable companies. In addition, evaluating credit risk for foreign debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.

*Emerging Markets.* The risks of foreign investments typically are greater in less developed countries, sometimes referred to as emerging markets. For example, political and economic structures in these countries may be less established and may change rapidly. These countries also are more likely to experience high levels of inflation, deflation, or currency devaluation, which can harm their economies and securities markets and increase volatility. Restrictions on currency trading that may be imposed by emerging market countries will have an adverse effect on the value of the securities of companies that trade or operate in such countries.

*Equity Securities.* The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism

and related geo-political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

*Fixed-Income and Debt Securities.* Investment in fixed-income and debt securities such as bonds, notes and asset-backed securities, subject a client's portfolios to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Lastly, investments in debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

*Hard Assets.* The production and marketing of hard assets may be affected by actions and changes in governments. In addition, hard assets and hard asset securities may be cyclical in nature. During periods of economic or financial instability, hard asset securities may be subject to broad price fluctuations, reflecting volatility of energy and basic materials prices and possible instability of supply of various hard assets. In addition, hard asset companies may also be subject to the risks associated with extraction of natural resources as well as the risks of the hazards associated with natural resources, such as fire, drought, and increased regulatory and environmental costs. Hard asset securities may also experience greater price fluctuations than the relevant hard asset.

*Illiquid Instruments.* Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and the Portfolio Managers' ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for the Portfolio Managers to obtain market quotations based on actual trades for the purpose of valuing a fund's portfolio.

*Mortgage-Backed Securities.* Mortgage-backed securities are subject to credit risk associated with the performance of the underlying mortgage properties. Factors such as consumer spending habits, local economic and competitive conditions, tenant occupancy rates and regulatory or zoning restrictions, or the loss of a major tenant may adversely affect the economic viability of a mortgaged property. In addition, these securities are subject to prepayment risk. Some securities have a structure that makes their reaction to interest rates and other factors difficult to predict, making their value highly volatile.

*Non-U.S. Securities.* Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.

*REITs.* REITs in which the Portfolio Managers invest the hedge funds are affected by underlying real estate values, which may have an exaggerated effect to the extent that REITs in which the Portfolio Managers invest concentrate investments in particular geographic regions or property types. Investments in REITs are also subject to the risk of interest rate volatility. Further, rising interest rates will cause investors in REITs to demand a higher annual yield from future distributions, which will in turn decrease market prices for equity securities issued by REITs. REITs are subject to risks inherent in operating and financing a limited number of projects because they are dependent upon specialized management skills, and have limited diversification. REITS depend generally on their ability to generate cash flow to make distributions to investors.

*Risk Arbitrage Securities.* A merger, other restructuring, tender, or exchange offer proposed at the time the Portfolio Managers invest in risk arbitrage securities may not be completed on the terms or within the time frame contemplated, resulting in losses.

*Security Futures and Options.* In connection with the use of futures contracts and options, there may be an imperfect correlation between the change in market value of a security and the prices of the futures contracts and options in the *client's* account. In addition, the Portfolio Managers' investments in security futures and options may encounter a lack of a liquid secondary market for a futures contract and the resulting inability to close a futures position prior to its maturity date.

**It is critical that investors/clients refer to the relevant confidential private offering memorandum and other governing documents for a complete understanding of the material risks. The information contained herein is a summary only and is qualified in its entirety by such documents.**

## **Item 9. Disciplinary Information**

This item inapplicable.

## **Item 10. Other Financial Industry Activities and Affiliations**

Brian Walsh is a member of the Board of Directors of Great West Life & Annuity Insurance Company and Great West Lifeco Inc. (collectively, "Great West"). These



firms provide insurance and annuity products to the general public. In addition, he is a member of the Board of Directors of Putnam Investments, LLC ("Putnam"). Putnam provides mutual fund services to the general investing public. SSC provides its investment advisory services on a private placement basis to the Funds and on an individually negotiated basis to the Managed Accounts. Therefore, SSC is of the view that the relationship should not be a source of a material conflict. Where SSC recommends to any Advisory Client an investment into any product whereby fees for such product will be paid to Great West or Putnam, the firm will manage the potential conflict of interest by 1) ensuring that no compensation is received by Brian Walsh or SSC for such product referral and 2) that SSC's Investment Committee has reviewed the facts and circumstances surrounding the potential investment to confirm that there are no conflicts of interest.

As previously noted, SSC is registered as an Exempt Market Dealer and Portfolio Manager with: the British Columbia Securities Commission, the Alberta Securities Commission, the Ontario Securities Commission and Quebec's l'Autorité des marchés financiers; and as an Investment Fund Manager with the Ontario Securities Commission and Quebec's l'Autorité des marchés financiers.

As previously mentioned, the sole owner of SSC is SSHL. SSHL is also the owner of Saguenay Strathmore Capital Inc. (formerly "Strathmore Capital Inc."), a limited liability company registered in Ontario, Canada and Quebec, Canada and Saguenay Strathmore Holdings (UK) Limited, a limited liability company incorporated in England and Wales, which in turn owns Saguenay Strathmore Capital LLP (formerly "Strathmore Capital LLP"), a limited liability partnership incorporated in England and Wales. Saguenay Strathmore Capital Inc. is a registered Portfolio Manager and Exempt Market Dealer in Ontario and Quebec, Canada that provides investment advisory research, marketing and other services to SSC and to Saguenay Strathmore Capital LLP. Saguenay Strathmore Capital LLP is authorized and regulated by the Financial Conduct Authority as as a Portfolio Manager in Ontario, Canada and provides investment management services to institutional investors. SSC does not believe that these affiliations create a material conflict of interest.

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

SSC has adopted a Code of Ethics governing personal trading by its Access Persons and is designed to comply with the requirements of Advisers Act Rule 204A-1. Among other requirements, the Code of Ethics requires all Access Persons to: (i) comply with federal securities laws; (ii) report their personal securities transactions and holdings to the Chief Compliance Officer, and the Chief Compliance Officer is required to review such reports; and (iii) obtain pre-approval of certain types of investments. All Access Persons are required to certify their compliance with the Compliance Manual and Code of Ethics upon hire (or whenever they are deemed an Access Person) and generally on an annual basis thereafter. Clients and prospective clients may obtain a copy of the

Code of Ethics by contacting Samantha Addonizio, Chief Compliance Officer, by email at [saddonizio@sscinvest.com](mailto:saddonizio@sscinvest.com) or by telephone at (914) 729-2420.

SSC recognizes and believes that (i) high ethical standards are essential for its success and to maintain the confidence of its clients; (ii) its long-term business interests are best served by adherence to the principle that the interests of clients come first; and (iii) it has a fiduciary duty to its clients to act solely for their benefit. All Access Persons of SSC must put the interests of SSC's clients before their own personal interests and must act honestly and fairly in all respects in dealings with clients. All Access Persons of SSC must also comply with all federal securities laws.

SSC's related persons may invest their personal funds in the Funds, and, therefore, such persons may hold the same securities as other investors in the Funds. The fact that SSC, its employees and its related persons may have a financial ownership interest in the Funds creates a potential conflict in that it could cause SSC to make different investment decisions than if they did not have such a financial ownership interest. Further, SSC charges the Funds fees based on a percentage of assets under management via the Management Fee and, in some instances, based on performance via a performance-based fee. The Management Fee is payable without regard to the overall success or income earned by the Advisory Clients and therefore may create an incentive on the part of SSC to raise or otherwise increase assets under management to a higher level than would be the case if SSC were receiving a lower or no Management Fee. In instances where an Advisory Client is charged a performance-based fee, SSC may have an incentive to make investments that are riskier or more speculative than it otherwise would.

In addition, certain employees of SSC may own hedge funds in their personal accounts that are also recommended by SSC to its Advisory Clients. SSC or a related person, from time to time, may recommend hedge funds to Advisory Clients, or buys or sells hedge funds for Advisory Client accounts, at or about the same time that a related person may buy or sell the same hedge fund for its own account. SSC has established procedures intended to limit conflicts of interest in cases where Access Persons buy or sell hedge funds recommended by SSC to its Advisory Clients. Such Access Person may not purchase any such hedge fund if there is insufficient capacity in such hedge fund for SSC's Advisory Clients. In addition, the Chief Compliance Officer must pre-approve all purchases of hedge funds, among other types of limited offerings, by the firm's Access Persons.

Certain of the Managed Accounts allocate some or all of their assets to be invested in SSC Funds.

SSC, in the course of its investment management and other activities (e.g., board or creditor committee service), may come into possession of confidential or material non-public information about issuers, including issuers in which SSC or its related persons have invested or seek to invest on behalf of clients. SSC is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other

person, regardless of whether such other person is a client. SSC maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that SSC is meeting its obligations to clients and remains in compliance with applicable law.

#### **Item 12. Brokerage Practices**

Not applicable. SSC does not conduct transactions on any exchange and, as such, SSC does not conduct transactions through broker-dealers. Therefore, as a matter of policy and practice SSC does not have any formal or informal arrangements or commitments to utilize research-related products and other services obtained from broker-dealers, or third parties, in connection with client securities transactions ("soft dollar benefits"). SSC is not involved in selecting or recommending broker-dealers for client transactions and determining the reasonableness of broker-dealer compensation (*i.e.*, commissions). SSC has no control in negotiating the rates of compensation the underlying hedge funds, and ultimately SSC's clients, will pay.

SSC advises on investments in hedge funds, as such trade aggregation is not applicable.

#### **Item 13. Review of Accounts**

Messrs. Brian Walsh (Chairman and Chief Investment Officer), David Dobell (Head of Portfolio Management and Business Development and Co-Head of Research ), and John Murphy (Co-Head of Research), together with Emlyn Palmer, (Chief Operating Officer and Co-Head of Research ), and Stephen Harvey (Partner) (all of whom are Members of the Investment Committee, as well as the Portfolio Review Committee), are generally aware of the holdings in each Advisory Client's account on a continuous basis. These holdings are monitored by the Investment Committee, assisted by the firm's due diligence team, for significant business and economic developments and other activities which may dictate a change in portfolio positions. In deciding whether to purchase or sell or to recommend the purchase or sale of a particular security on behalf of an Advisory Client account, each Advisory Client account holding such security will be reviewed by the Portfolio Review Committee. In addition, Advisory Client accounts are reviewed periodically from the standpoint of the specific investment objectives of the respective Advisory Client and as particular situations may dictate.

Investors in the Funds will receive the following written reports from SSC: a report on general Fund performance on a monthly basis with a more detailed report on a quarterly basis; annual audited financial statements performed by an independent auditor; and a monthly individualized capital account statement from the Funds' independent administrator which shows the investors' monthly performance. The frequency and type of reporting to the Managed Account clients and Advised Account clients is subject to terms that are individually negotiated between SSC and the respective Managed Account or Advised Account.

**Item 14. Client Referrals and Other Compensation**

SSC has and may pay fees to other persons and other affiliates, who refer clients to SSC. In general, SSC may pay other persons out of the advisory fees received by SSC with regard to the client. These arrangements will be in accordance with applicable law.

**Item 15. Custody**

SSC is deemed to have custody over the assets of the Funds, which are held at qualified custodians pursuant to Rule 206(4)-2 under the Advisers Act. To ensure compliance with Rule 206(4)-2 under the Advisers Act, SSC reasonably believes that all investors in the Funds will be provided with audited financial statements for the Funds, prepared by an independent accounting firm that is registered with and subject to review by the Public Company Accounting Oversight Board, in accordance with U.S. Generally Accepted Accounting Principles, within 180 days of the end of the Funds' respective fiscal years. Investors should carefully review the audited financial statements of the Funds.

It should be noted that SSC is of the view that it does not have custody of the Managed Accounts', or the Advised Accounts' funds or securities.

**Item 16. Investment Discretion**

SSC has discretionary authority of the Funds and certain of the Managed Accounts. SSC has the authority to determine, without obtaining specific client consent, the Portfolio Funds to be bought or sold, and the dollar amount of the Portfolio Funds to be bought or sold. The authority to trade on a discretionary basis for such Advisory Clients is granted to SSC through an investment management agreement between the Advisory Client and SSC. This agreement is entered into prior to any trades being placed. Managed Account clients may also impose restrictions on investing in certain Portfolio Funds.

With respect to the Funds and certain of the Managed Accounts that SSC has investment discretion, SSC has the authority to determine (i) the Portfolio Funds to be purchased and sold for the Funds (subject to any restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines); and (ii) the amount of Portfolio Funds to be purchased or sold for the Funds. Because of the differences in investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among the Funds/Managed Accounts in invested positions and Portfolio Funds held. SSC may consider the following factors, among others, in allocating securities among Funds/Managed Accounts: (i) investment objectives and strategies; (ii) risk profiles; (iii) tax status and restrictions placed on a Fund's portfolio by applicable law; (iv) size of the Fund/Managed Account; (v) nature and liquidity of the Portfolio Fund to be allocated; (vi) size of available position; (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity and timing of cash flows.

SSC does not have discretionary authority over certain of the Managed Account, and Advised Account, clients. For the Managed Accounts, SSC has tailored the investment objectives to the specific objectives/restrictions of the Managed Account; and (ii) individually negotiated the terms and fees for the Managed Account, which may be different to the terms and fees than those of the Funds. In the case of the Advised Accounts, SSC provides overall portfolio management advice (i) tailored to meet the specific investment objectives/restrictions of a specific portfolio(s) of an Advisory Client; and or (ii) individually negotiated the terms and fees for such Advisory Client, which may be different to the terms and fees than those of the Funds or Managed Accounts.

SSC's authority over the Managed Accounts and the Advised Accounts, is included within the respective investment management agreement with such Managed Account or Advised Account

#### **Item 17. Voting Client Securities**

SSC has proxy voting authority over certain Advisory Clients. To the extent that SSC has discretion to vote the proxies of its Advisory Clients, SSC will vote any such proxies in the best interests of the Advisory Clients and in accordance with set compliance procedures. Prior to voting any proxies, SSC's Investment Committee will determine if there are any conflicts of interest related to the proxy in question. If a conflict is identified, the Investment Committee will then make a determination as to whether the conflict is material or not. If no material conflict is identified pursuant to its set procedures, the Investment Committee will make a decision on how to vote the proxy in question. The Funds' respective administrator will be instructed to deliver the proxy, in accordance with instructions related to such proxy, in a timely and appropriate manner. SSC keeps a record of its proxy voting policies and procedures, proxy statements received, votes cast, all communications received and any internal documents created that were material to voting decisions and each client request for proxy voting records and SSC's response for the previous five years.

In cases where SSC does not have proxy voting authority, such Advisory Clients may seek advice from SSC, but will generally receive their proxies directly from the Portfolio Funds, their Portfolio Managers or their respective administrators.

A client may contact SSC to obtain information on: how proxies were voted for an Advisory Client; if a client would like to request a copy of SSC's proxy voting policies and procedures; or if a client has questions about a particular proxy, by contacting Samantha Addonizio, Chief Compliance Officer, by email at [saddonizio@sscinvest.com](mailto:saddonizio@sscinvest.com) or by telephone at (914) 729-2420.

#### **Item 18. Financial Information**

This item is not applicable.