



*A Registered Investment Advisor*

## **Disclosure Brochure**

**August 15, 2015**

### **Item 1. Title Page**

This brochure provides information about the qualifications and business practices of Twin Focus Capital Partners, LLC (hereinafter “Twin Focus”). If you have any questions about the contents of this brochure, please contact Robert Petry at (617) 720-4500. Twin Focus Capital Partners, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Twin Focus Capital Partners, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

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

**75 Park Plaza, Boston, MA 02118 | 617-720-4500**

## Item 2. Material Changes

This Item discusses only the material changes that have occurred since TwinFocus' last annual update.

Over the past year TwinFocus' business has changed materially by:

- Limiting the number of our family clients to ensure a high level of service to a more select group of families;
- Increasing the number of personnel in investment, service, and administrative capacities;
- Increasing our minimum asset levels;
- Discontinuing the Wrap-Fee Program; and
- Appointing John Pantekidis, JD, CFA, a Partner and the Chief Investment Officer, as the General Counsel to TwinFocus.

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## Item 4. Advisory Business

TwinFocus was established as a family office and boutique investment advisory firm in response to the investment restrictions and conflicts of interest present at traditional, product-driven financial services firms. TwinFocus' founders and principals, Paul and Wesley Karger, sought to establish a unique global financial services firm where their philosophy and capabilities could work to best deliver success to a select group of investors and institutions. As such, the firm is driven by the principle of providing comprehensive, quality, objective investment advice, free from the conflicts inherent to other business arrangements.

TwinFocus has been in business as a registered investment adviser since May 23, 2006. As of March 31, 2015, TwinFocus had \$1,501,138,299 of regulatory assets under management<sup>1</sup>, of which \$1,334,375,340 are managed on a discretionary basis and \$166,762,959 are managed on a non-discretionary basis. As of the same date, TwinFocus had \$3,061,203,665 of total assets under advisement.<sup>2</sup> The firm's assets under advisement include private investments in direct opportunities, private equity, venture capital, real estate and hedge funds.

TwinFocus provides financial, wealth advisory and investment management, family office management, institutional consulting, business and tax management and philanthropic services. Prior to engaging TwinFocus to provide any of the foregoing services, the client is required to enter into one or more written agreements with TwinFocus setting forth the terms and conditions under which TwinFocus renders its services (collectively the "Agreement").

This disclosure brochure describes the business of TwinFocus. Certain sections will also describe the activities of *Supervised Persons*. Supervised Persons are any of TwinFocus' 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 TwinFocus' behalf and is subject to TwinFocus' supervision or control.

### Financial Advisory and Family Office Services

TwinFocus may provide its clients with a broad range of comprehensive financial advisory and family office services, which may include non-investment and tax-related matters. Areas addressed broadly include multi-generational planning, philanthropic planning, family business and continuity planning, family member education, and family governance services, in addition to education, tax and estate planning. These services are generally offered in conjunction with the firm's wealth management services, as described below.

In performing its services, TwinFocus 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

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<sup>1</sup> Regulatory assets under management are defined in Part 1 of Form ADV. They include all assets where TwinFocus can effect a trade whether on a discretionary or non-discretionary basis.

<sup>2</sup> Assets under advisement are defined as any asset over which TwinFocus exercises regular and continuous supervision even if we cannot effect a trade. An example of an asset under advisement which is not under management might be a legacy position in a locked-up private fund.

on such information. TwinFocus may recommend the services of itself, or other professionals to implement its recommendations. Clients are advised that a conflict of interest may exist if TwinFocus recommends its own services. The client is under no obligation to act upon any of the recommendations made by TwinFocus under a financial planning or consulting engagement or to engage the services of any such recommended professional, including TwinFocus itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of TwinFocus' recommendations.

Clients are advised it remains their responsibility to promptly notify TwinFocus if there is ever any change in their financial situation, as well as facts and circumstances that may impact their investment objectives for the purpose of reviewing, evaluating, or revising TwinFocus' previous recommendations or services.

### Corporate & Institutional Consulting Services

TwinFocus renders investment and non-investment related consulting services to various institutions and independent third parties as part of its institutional consulting services. Generally, these services are specialized engagements individually negotiated with each institution based upon their specific needs and objectives. In summary, TwinFocus works closely with its institutional clients to:

- Help develop objectives memorialized in an Investment Policy Statement (IPS) to guide the future investment decision-making process;
- Implement an investment strategy in furtherance of the institution's long-term goals and consistent with the IPS;
- Implement a suitable asset allocation model using its proprietary manager and strategy selection process; and
- Monitor, rebalance and report results on a periodic basis, as per the institution's needs.

In addition, TwinFocus advises public and private corporations regarding their profit sharing plans, 401(k) plans, defined benefit plans and other pools of assets, on issues such as investment design and review, and cost containment and management.

TwinFocus' corporate and institutional consulting services are generally not available to individuals, addressing fundamental issues affecting various corporations or institutions within TwinFocus' area of concentration.

### Investment Management & Wealth Management Services

Clients can engage TwinFocus to manage all or a portion of their assets on a discretionary basis or a non-discretionary basis. In addition, TwinFocus may provide clients with wealth management services which generally include a broad range of comprehensive financial advisory and family office services, as well as discretionary or non-discretionary management of investment portfolios.

TwinFocus primarily allocates clients' investment management assets among Independent Managers (as defined below), mutual funds and exchange-traded funds ("ETFs"). In addition, TwinFocus may recommend that clients, who are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended, and "qualified purchasers" as defined under Section 3(c)(7) of the Investment Company Act of 1940, to invest in private placement securities, which may include debt, equity, and/or pooled investment vehicles when consistent with the clients' investment objectives. Often these are referred to as "alternative investments" such as hedge funds, private equity, real estate and direct equity

or debt investments in private deals, generally accessed via limited partnership structures, and blocker structures for offshore and tax-exempt clients.

TwinFocus also may render non-discretionary investment management and tax-related services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client's primary custodian. In so doing, TwinFocus either directs or recommends the allocation of client assets among the various investment options that are available with each product. Client assets are maintained at the specific insurance company, the product sponsors, and custodian designated by the product.

TwinFocus tailors its advisory services to the individual needs of each client initially and on an ongoing basis. One of the first tasks in our advisory process requires development of an investment policy statement which maps out the risk tolerances, time horizon and other factors that may impact clients' investment needs. TwinFocus ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerances.

Clients are advised to promptly notify TwinFocus if there are factual changes in their financial situation or investment objectives or if they wish to impose any restrictions and constraints upon TwinFocus' management services.

### Use of Independent Managers

As mentioned above, where prudent and suitable, TwinFocus may recommend client authorization of allocations of portions or all of client assets to the active discretionary management to select independent investment managers ("*Independent Managers*"), based upon the stated investment objectives of the client. The terms and conditions under which the client engages the *Independent Managers* are set forth in separate written agreements between TwinFocus or the client and the designated *Independent Managers*.

TwinFocus renders services to the client relative to the discretionary or non-discretionary selection or recommendation of *Independent Managers*. TwinFocus also monitors and reviews the account/portfolio performance and the client's investment objectives. TwinFocus receives an annual advisory fee which may be based upon a percentage of the market value of the assets being managed by the designated *Independent Managers* or on a fixed annual fee as mutually agreed upon with the client.

When recommending or selecting an *Independent Manager* for a client, TwinFocus reviews information about the *Independent Manager* such as its disclosure brochures, due diligence questionnaires, and/or materials supplied by the *Independent Manager* or independent third parties to obtain descriptions of the *Independent Manager's* investment strategies, management teams, past performance and risk-adjusted results, to the extent available.

Factors that TwinFocus considers in recommending an *Independent Manager* include the client's stated investment objectives, management style and philosophy, portfolio management team, performance, reputation, financial strength, reporting, pricing/expenses, and research. The investment management fees charged by the designated *Independent Managers*, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, TwinFocus' investment advisory fee set forth above. As discussed above, the client may incur

additional fees than those charged by TwinFocus, the designated *Independent Managers*, and corresponding broker-dealer and custodian.

In addition to TwinFocus' written disclosure brochure, the client also receives the written disclosure brochure of the designated *Independent Managers*. Certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than TwinFocus. In such instances, TwinFocus may alter its corresponding account requirements or billing practices to accommodate those of the *Independent Managers*.

### Additions and Withdrawals to Accounts

Clients may deposit additional funds or redeem from their account at any time, subject to TwinFocus' right to terminate an account. Pending notification to TwinFocus, Clients may redeem account assets, subject to the usual and customary securities settlement procedures. However, because TwinFocus designs each client's portfolios based on strategic asset allocations aligned with the client's goals and objectives as codified in the IPS, such redemptions may impede achievement of these goals.

Additionally, to the extent that TwinFocus allocates a portion of client assets to alternative investments that provide limited liquidity, where TwinFocus believes such illiquid investments are prudent based on the facts and circumstances at the time of each investment, within the context of the client's investment profile as detailed in the IPS, immediate redemptions may not be available. This may be particularly the case with private investments and private equity investments, where liquidity may not be available for several years. Such investments with limited liquidity characteristics are carefully selected and sized for each client portfolio, consistent with the IPS.

## Item 5. Fees and Compensation

TwinFocus offers its services on a fee basis, which may include hourly and/or fixed fees, as well as fees based upon assets under management or the performance of the client's portfolio.

### Financial Advisory and Family Office Service Fees

TwinFocus may charge a fixed fee and/or hourly fee for financial advisory and/or certain family office services. These fees are negotiable, but generally range from \$100,000 to \$1,000,000 on a fixed fee basis and/or from \$350 to \$950 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. If the client engages TwinFocus for additional investment advisory services, TwinFocus may credit all or a portion of planning and consulting fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging TwinFocus for financial planning and/or consulting services, the client is required to enter into a written agreement with TwinFocus, setting forth the terms and conditions of the engagement. Generally, TwinFocus requires one-half of the financial advisory or family office 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.

## Investment Management and Wealth Management Fee

TwinFocus is compensated for providing investment advisory services to its clients with respect to their AUM or AUA in accordance with the Basic Fee Schedule and other provisions as agreed to in each client's agreement. TwinFocus' Basic Family Office Fee Schedule for new clients is generally the greater of \$100,000 per year, or:

TwinFocus Family Office Fee Schedule		
Assets Under Management/Advisory Tier	Asset Tier	Fee (%)
First Tier	\$50,000,000	0.50%
Second Tier	\$50,000,000	0.40%
Third Tier	\$100,000,000	0.25%
Fourth Tier	> \$200MM	Neg

TwinFocus provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed and or advised by TwinFocus, or an agreed upon fixed fee. TwinFocus' 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. TwinFocus does not, however, receive any portion of these commissions, fees, and costs.

TwinFocus' annual fee is prorated and charged either monthly or quarterly, in advance, based upon the agreed upon fixed fee or market value of the assets being managed by TwinFocus on the last day of the previous month or quarter. For assets being managed on a fixed fee basis, the annual fee ranges between \$100,000 and \$1,000,000, depending upon the type, scope, and magnitude of investment management services to be rendered. In the alternative, the asset based fee varies, depending upon the market value of the assets under management, as follows:

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AUM/AUA includes any cash or securities owned by an advisory client at the time of the reporting period is (and identified as part of the AUM/AUA by the advisory client) and at any time thereafter; the parties mutually agree that all such assets are includable in AUM/AUA for fee calculation purposes, without regard to the date of purchase or investment.

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TwinFocus, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (e.g., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

## Performance Fee

TwinFocus may render investment management services to *qualified clients* for a performance-based fee in accordance with the requirements set forth in applicable laws, rules, and regulations. For those clients, TwinFocus charges its fees based upon a percentage of the market value of the assets being managed



and/or advised by TwinFocus (“*base fee*”) in addition to a fee based on the performance of the account (“*performance fee*”).

TwinFocus charges a *performance fee* up to twenty percent (20%) of the net performance by which the account exceeds an agreed upon benchmark. TwinFocus also charges a *base fee* for investment management services in this case, which is comprised of either an annual fixed fee or a fee based upon a percentage of assets under management, as set forth in the following:

TwinFocus Family Base Investment Management/Advisory Schedule		
Assets Under Advisory Tier	Asset Tier	Fee (%)
First Tier	\$10,000,000	1.00%
Second Tier	\$25,000,000	0.75%
Third Tier	\$100,000,000	0.50%
Fourth Tier	> \$200MM	Neg

TwinFocus’ annual *base fee* is prorated and charged either monthly or quarterly, in advance, based upon the agreed upon fixed fee or the market value of the assets on the last day of the previous quarter. TwinFocus’ *performance fee* is charged annually, in arrears, based on the net gains of the client’s portfolio at the end of the calendar period.

### Fees Charged by Financial Institutions

As further discussed in response to Item 12 (below), TwinFocus generally requires that clients use the brokerage and clearing services of a qualified broker-dealer for investment management accounts.

TwinFocus may only implement its investment management recommendations after the client has arranged for and furnished TwinFocus with all information and authorization regarding accounts with appropriate financial institutions or third party investment managers. Financial institutions include, but are not limited to, the broker-dealer recommended by TwinFocus, any other broker-dealer recommended by TwinFocus, 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 *Independent Managers* (as defined below), custodial fees, charges imposed directly by a mutual fund or ETF in the account, which shall be 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, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to TwinFocus’ fee.

TwinFocus’ *Agreement* and the separate agreement with any *Financial Institutions* may authorize TwinFocus or *Independent Managers* to debit the client’s account for the amount of TwinFocus’ fee and to directly remit that management fee to TwinFocus or the *Independent Managers*. Any *Financial Institutions* recommended by TwinFocus 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 TwinFocus. Alternatively, clients may elect to have TwinFocus send an invoice to them directly.

### Fees for Management during Partial Quarters or Months of Service

For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

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

Additions may be in cash or securities, provided that TwinFocus reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. TwinFocus 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 tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a month or quarter, it will be specified by TwinFocus and the client in the *Agreement* the circumstances in which a *pro rata* fee or rebate is appropriate.

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

As discussed in response to Item 5, above, TwinFocus may render investment management services to *qualified clients* for a performance-based fee. This fee arrangement raises conflicts of interest. The performance fee may be an incentive for TwinFocus to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In addition, where TwinFocus charges performance-based fees and also provides similar services to accounts not being charged performance-based fees, there is an incentive to favor accounts paying a performance-based fee.

TwinFocus has procedures in place to ensure that any recommendations made are in the best interest of clients regardless of whether the client is paying a performance-based fee or different type of fee.

## Item 7. Types of Clients

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

### Minimum Account Size

As a condition for starting and maintaining a relationship, TwinFocus generally imposes a minimum portfolio size of \$25,000,000. TwinFocus, in its sole discretion, may accept clients with smaller portfolios 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 relationship, account retention, and *pro bono* activities. TwinFocus shall only accept clients with less than the minimum portfolio size if, in the sole opinion of TwinFocus, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. TwinFocus may aggregate the portfolios of family members to meet the minimum portfolio size.

Additionally, certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than TwinFocus. In such instances, TwinFocus may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

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

### Primary Methods of Analysis

TwinFocus relies primarily on a proprietary combination of fundamental and technical methods of analysis, employing both top-down macroeconomic and bottom-up microeconomic analytical approaches.

TwinFocus' investment process begins with a proprietary top-down analysis of the global macroeconomic environment (all performed in-house), scouring the globe to discern favorable structural trends to invest and segregating those trends to avoid while identifying key tactical or cyclical opportunities. These efforts allow the firm to develop global themes and biases, based on demographic, geopolitical and geo-economic considerations.

Once TwinFocus is satisfied that it has identified the key themes it wants to exploit or avoid, it begins a bottom-up microeconomic analysis on the different investment vehicles, strategies and instruments to be used to implement our themes. It is during this process that TwinFocus:

- Conducts due diligence on money managers and strategies through quantitative and qualitative screens with continuing follow-up and monitoring;
- Determines optimal exposure types and the most effective ways to achieve such exposures;
- Examines potential investments in ETFs, index funds, actively managed vehicles, hedge funds, private equity, venture capital, and other alternative investment types;
- Reviews the performance of certain options overlay strategies for selected groups of clients; and
- Analyzes the tax implications and strategizes accordingly.

### Analytical Risks

*Fundamental analysis* involves the fundamental financial condition and competitive position of an investment. TwinFocus will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the investment's markets and position within those markets in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of an investment may be good, market conditions may negatively impact the security.

*Technical analysis* involves the analysis of past market data rather than specific data internal to an opportunity, in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the investment. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that TwinFocus will be able to accurately predict such a reoccurrence.

## Investment Strategy

TwinFocus implements a highly disciplined, multi-step approach that seeks to go beyond the bounds of traditional asset allocation decisions typically utilized by competing firms. The investment process begins with the development of the client relationship. TwinFocus believes that knowing the client and defining specific objectives permits flexibility with later rebalancing and adjustments in response to changing market conditions, stated objectives, and the performance of each individual investment strategy. During the initial phase of the relationship, TwinFocus seeks to determine:

- Needs, goals and objectives;
- Time horizons
- Risk tolerance
- Liquidity requirements and constraints;
- Special legal or regulatory concerns;
- Overall risk and reward parameters
- Income, estate, gift tax issues; and
- Philanthropic programs.

These initial discovery efforts are codified in an investment policy statement, which serves as the future client or family office road map, used to delineate the path to be taken to achieve the ultimate goals and objectives of all the parties involved.

TwinFocus' risk management efforts begin with the construction and implementation of a strategic asset allocation model which allows for tactical and cyclical deviations that reflect short-term judgment calls on current market conditions. The firm seeks to develop core positions in those traditional asset classes – i.e., global equities and fixed income – with active satellite tentacles that are designed to effectively grasp alpha in those markets that TwinFocus judges to be inefficient. TwinFocus quantifies risk at the aggregate portfolio level, taking into account cross-correlations of assets within the portfolio while stress testing the portfolio for unforeseen events when the markets experiences correlation breakdowns and the corresponding reduction of Modern Portfolio Theory diversification benefits.

Once portfolios are constructed and capital is deployed, TwinFocus monitors the portfolio and the underlying investments on a continuous basis, rebalances as needed to assure the portfolio is within the risk parameters mandated by the client, and periodically reports results to client in the frequency the client wishes, using customized reports that suit each client's needs. These rebalancing practices are based on market valuations, tactical exploitation of short term market conditions, and deviations to client needs or circumstances.

## 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. As such, a mutual fund investor may incur substantial tax liabilities even when the fund underperforms.

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 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 NAV.

Some mutual funds, known as alternative mutual funds, may invest using complicated strategies or in unusual security types. These alternative mutual funds often have different terms than traditional mutual funds and may carry additional risks. These risks may include, but are not limited to, leverage and liquidity. Some alternative mutual funds may employ leverage, which has the potential to increase returns, but also may increase the size of losses. Some alternative mutual funds, also referred to as Interval Funds, may only allow subscriptions and redemptions during certain trading windows, and not necessarily at the end of every trading day. Such alternative mutual funds may also have tax treatments that are different from traditional mutual funds.

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.

### Options

Options allow investors to buy or sell a security at a contracted strike price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities in a highly levered manner. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

### Market Risks

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

### Use of Independent Managers

TwinFocus may recommend the use of *Independent Managers* for certain clients. TwinFocus conducts ongoing due diligence of such managers, but such recommendations rely, to a great extent, on the

*Independent Managers'* ability to successfully implement their investment strategy. TwinFocus continues to render services to the client relative to the discretionary selection of the *Independent Managers*, as well as the monitoring and review of account performance and investment objectives.

In certain instances an independent manager may also be a client of TwinFocus. TwinFocus only makes recommendations based on the fundamentals of each situation and does not take into consideration whether the independent manager is a TwinFocus client when making any recommendation.

### Use of Private Collective Investment Vehicles

TwinFocus may recommend the investment by certain clients in privately placed collective investment vehicles (some of which may be known colloquially as "hedge funds"). The managers of these vehicles will 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. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. There are numerous other risks in investing in these securities including the inability to withdraw funds in a timely manner. The client will receive a private placement memorandum and/or other documents explaining such risks.

### Management through Similarly Managed Accounts

For certain clients, TwinFocus may manage portfolios by allocating portfolio assets among various securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as an "*investment strategy*"). In so doing, TwinFocus buys, sells, exchanges and/or transfers shares of securities based upon the *investment strategy*.

TwinFocus' management using the *investment strategy* complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company.

The *investment strategy* may involve an above-average portfolio turnover that could negatively impact upon the net after-tax gain experienced by an individual client. Securities in the *investment strategy* are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to TwinFocus' clients may be limited. For example, various mutual funds or insurance companies may limit the ability of TwinFocus to buy, sell, exchange or transfer securities consistent with its *investment strategy*. As further discussed in response to Item 12B (below), TwinFocus allocates investment opportunities among its clients on a fair and equitable basis.

### Risk of Loss

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

## Item 9. Disciplinary Information

TwinFocus is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. TwinFocus does not have any disclosures related to this Item.

## Item 10. Other Financial Industry Activities and Affiliations

TwinFocus is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons.

### Association with Other Ventures

The principals of the firm, Paul Karger and Wesley Karger, serve on the Board of Managers and are members of TF Special Opportunities I, LLC and TF Special Opportunities – Glory, LLC, (collectively, the “Funds”). The *Funds* are special purpose pooled investment vehicles, the interests of which are privately offered pursuant to Regulation D of the Securities Act of 1933.

In addition, Paul Karger serves as a Director on the company board of Glory Sports International Pte Ltd., an international kickboxing promotion company based in Singapore. He also serves as a Director on the company board of Fundraise.com, a social online fundraising platform for nonprofits around the world.

A conflict of interest exists to the extent TwinFocus’ *Supervised Persons* recommend an investment in the *Funds* due to the affiliation therewith of TwinFocus, Paul Karger, and Wesley Karger. TwinFocus seeks to ensure that any such recommendations are provided on a fully-disclosed basis and only when aligned with its clients’ best interests.

## Item 11. Code of Ethics

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

TwinFocus 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 TwinFocus or any of its associated persons. The *Code of Ethics* also requires that certain of TwinFocus’ 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.

Generally per TwinFocus’ *Code of Ethics*, none of TwinFocus’ *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 TwinFocus’ clients. Under unusual circumstances, the TwinFocus Chief Compliance Officer may grant an exception to this policy.

When TwinFocus 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 TwinFocus 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 open-ended mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

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

## Item 12. Brokerage Practices

As discussed above, in Item 5, TwinFocus may recommend that clients utilize the brokerage and clearing services of a qualified broker-dealer.

Factors which TwinFocus considers in recommending a qualified broker-dealer to clients include their respective financial strength, reputation, execution, pricing, and service. The commissions and transaction fees charged by the broker-dealer recommended by TwinFocus may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by TwinFocus' clients comply with TwinFocus' 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 TwinFocus determines that the commissions are reasonable in relation to the value of the brokerage and 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 the value of services provided, execution capability, commission rates, and responsiveness. TwinFocus seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

TwinFocus 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 TwinFocus 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 TwinFocus 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 TwinFocus (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. Subject to its duty of best execution, TwinFocus may decline a client's request to direct brokerage if, in TwinFocus' sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless TwinFocus decides to purchase or sell the same securities for several clients at approximately the same time. TwinFocus 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 TwinFocus' 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 TwinFocus' clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that TwinFocus determines to aggregate client orders for the purchase or sale of securities, including securities in which TwinFocus' *Supervised Persons* may invest, TwinFocus shall generally do 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. TwinFocus shall not receive any additional



compensation or remuneration as a result of the aggregation. In the event that TwinFocus 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, TwinFocus 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.

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 TwinFocus in its investment decision-making process. Such research generally will be used to service all of TwinFocus' 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 TwinFocus does not have to produce or pay for the products or services.

### Software and Support Provided by Financial Institutions

TwinFocus does not engage in soft dollar arrangements. TwinFocus may receive from a broker-dealer that it recommends, without cost to TwinFocus, computer software and related systems support, which allow TwinFocus to better monitor client accounts maintained at the recommended broker-dealer. TwinFocus may receive the software and related support without cost because TwinFocus renders investment management services to clients that maintain assets at the recommended broker-dealer. The software and related systems support may benefit TwinFocus, but not its clients directly. In fulfilling its duties to its clients, TwinFocus endeavors at all times to put the interests of its clients first. Clients should be aware, however, that TwinFocus' receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence TwinFocus' choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

### Item 13. Review of Accounts

For those clients to whom TwinFocus provides investment management services, TwinFocus monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom TwinFocus provides financial advisory or family office services, reviews are conducted on an "as needed" basis, no less frequently than monthly. Such reviews are conducted by designated members in both the Portfolio Advisory and Investment Research groups. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with TwinFocus and to keep TwinFocus informed of any changes thereto. TwinFocus contacts ongoing investment advisory

clients at least annually to review its previous services and recommendations and to discuss the impact resulting from any changes in the client's financial situation or investment objectives.

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 client accounts. Those clients to whom TwinFocus provides investment advisory services will also receive a report from TwinFocus 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 TwinFocus.

Those clients to whom TwinFocus provides financial advisory or family office services will receive reports from TwinFocus summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by TwinFocus.

## Item 14. Client Referrals and Other Compensation

TwinFocus is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, TwinFocus is required to disclose any direct or indirect compensation that it provides for client referrals. TwinFocus does not have any required disclosures in response to this Item. TwinFocus does not pay for client referrals.

## Item 15. Custody

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

The *Financial Institutions* recommended by TwinFocus 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 TwinFocus. Clients must notify TwinFocus promptly if they receive custodial statements less frequently than quarterly, or not at all. In addition, as discussed in Item 13, TwinFocus 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 TwinFocus.

For certain clients, TwinFocus may enter into a relationship whereby TwinFocus pays certain client bills or otherwise maintains the client's direct access to the Financial Institution. If, as part of such an arrangement, TwinFocus can direct funds out of the Financial Institution without the client's prior consent, TwinFocus may be deemed to have custody of those accounts. Accounts over which TwinFocus is deemed to have custody will be subject to an annual surprise inspection by an independent, third-party, PCAOB accounting firm in full accordance with SEC rules and regulations. The cost of such inspections will generally be the responsibility of the account owner.

## Item 16. Investment Discretion

TwinFocus retains the authority to exercise discretion on behalf of clients. TwinFocus is considered to exercise investment discretion over a client's account/portfolio if it can effect transactions for the client without first having to seek the client's consent. TwinFocus is given this authority through a power-of-attorney included in the agreement between TwinFocus and the client. Clients may request a limitation

on this authority (such as certain securities not to be bought or sold). TwinFocus takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made;
- The *Financial Institutions* to be utilized; and
- The *Independent Managers* to be hired or terminated.

## Item 17. Voting Client Securities

TwinFocus is required to disclose if it accepts authority to vote client securities. TwinFocus does not vote client securities on behalf of its clients.

## Item 18. Financial Information

TwinFocus is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. In addition, TwinFocus generally bills quarterly and does not require or solicit the prepayment of more than six months or more in advance of fees. Therefore, TwinFocus has no disclosures pursuant to this Item.