

# Jackson Square Partners, LLC

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Part 2A of Form ADV: Firm Brochure

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This brochure provides information about the qualifications and business practices of Jackson Square Partners, LLC. You should review this brochure in conjunction with the brochure supplement for certain employees who advise your account for more information on the qualifications of Jackson Square Partners, LLC and its employees. Information herein is provided in response to instructions and guidance issued in connection with Form ADV Part 2A. If you have any questions about the contents of this brochure, please contact us at (415) 635-0225. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Jackson Square Partners, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

## **ITEM 2. MATERIAL CHANGES**

Material changes from the Brochure dated May 29, 2014 are set forth in: Item 4 Advisory Business, to update the Adviser's assets under management as of December 31, 2014.

### ITEM 3. TABLE OF CONTENTS

ITEM 1. COVER PAGE.....	1
ITEM 2. MATERIAL CHANGES .....	2
ITEM 3. TABLE OF CONTENTS .....	3
ITEM 4. ADVISORY BUSINESS .....	4
ITEM 5. FEES AND COMPENSATION.....	5
ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	6
ITEM 7. TYPES OF CLIENTS .....	7
ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	8
ITEM 9. DISCIPLINARY INFORMATION .....	10
ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	10
ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	11
ITEM 12. BROKERAGE PRACTICES .....	14
ITEM 13. REVIEW OF ACCOUNTS.....	16
ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION .....	16
ITEM 15. CUSTODY .....	16
ITEM 16. INVESTMENT DISCRETION.....	17
ITEM 17. VOTING CLIENT SECURITIES.....	17
ITEM 18. FINANCIAL INFORMATION .....	18
ITEM 19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS.....	18

## ITEM 4. ADVISORY BUSINESS

### The Adviser

Jackson Square Partners, LLC (the “Adviser”) is an investment adviser headquartered in San Francisco, CA. Jackson Square Partners, LLC was organized as a Delaware limited liability company on August 9, 2013. The Adviser’s owners are California Street Partners, LP and Delaware Investment Advisers, a series of Delaware Management Business Trust, which own 50.1% and 49.9%, respectively, of the limited liability company interests of the Adviser.

### Advisory Services

The Adviser provides investment advisory services to separately managed accounts and investment sub-advisory services to pooled investment vehicles that are registered under the Investment Company Act of 1940, as amended (the “1940 Act”) or established in accordance with the European Commission’s Undertakings for Collective Investment in Transferable Securities (“UCITS”) Directive.

The clients advised by the Adviser generally pursue an investment strategy of long-term capital growth. In pursuing this strategy, the Adviser primarily recommends equity securities of U.S. and non-U.S. issuers, although it recommends a variety of securities and does not limit its recommendations to a particular type of security. Please see Item 8, “*Methods of Analysis, Investment Strategies and Risk of Loss*” below for more information regarding the Adviser’s investment strategies and the risks relating thereto.

As the investment adviser for its clients, the Adviser’s services include professional portfolio management, investment research and analysis, and the securities trading capabilities needed for making all investment decisions for such clients, as well as managing client assets on an ongoing basis and placing orders for the execution of securities transactions. The Adviser provides investment advice directly to its clients, subject to the discretion and control of the board of trustees or directors of the fund and the investment adviser of the fund or the owner of the account, as applicable.

The Adviser provides investment advisory services to each account in accordance with the account’s investment restrictions and guidelines, which are established in a written investment management agreement with the applicable account. With respect to the funds, the Adviser enters into a sub-advisory agreement with the fund’s investment adviser. A fund’s sub-advisory agreement is subject to periodic review and continuance (generally annually) by the fund’s board of directors or trustees, as required under the 1940 Act. Each such fund’s board and investment adviser supervises and direct the Adviser’s provision of sub-advisory services.

Investment restrictions for a fund, if any, also will be disclosed in the offering documents for the applicable fund. The Adviser generally tailors its advisory services for the owner of an account, agreeing with an investor to manage the investor’s assets against a particular benchmark or pursuant to investment guidelines discussed and agreed upon with that particular investor. To the extent practicable and consistent with the intended investment strategy, the Adviser may agree to implement investor-imposed limitations on the Adviser’s discretionary authority with respect to the securities to be bought or sold for an account, including but not limited to, diversification requirements, benchmark deviation, industry concentration, restrictions prohibiting the purchase of certain securities or securities of certain types of issuers, prohibiting investments in certain countries or markets, and prohibiting the employment of certain investment strategies or techniques (e.g., derivatives). Please see Item 16, “*Investment Discretion*,” which discusses these and other restrictions relating to the Adviser’s discretionary authority. Accounts that are subject to such limitations may perform differently (and potentially less successfully) than other accounts with similar strategies managed by the Adviser that do not have such limitations.

The Adviser may in the future organize or manage other investment funds or separately managed accounts that may either co-invest with its clients or follow an investment program similar to or different from the clients' programs. The Adviser currently does not engage in these activities.

Although the Adviser does not currently participate in wrap fee arrangements, it may in the future participate in such arrangements with various wrap fee program sponsors. These wrap fee program sponsors may also be registered as investment advisers under the Investment Advisers Act of 1940, as amended (the "Advisers Act").

### **Assets Under Management**

As of December 31, 2014, the Adviser managed \$27,832,698,206 in client assets on a discretionary basis.

## **ITEM 5. FEES AND COMPENSATION**

As provided under the investment management agreement with each client, the Adviser generally receives a quarterly management fee (each, a "Management Fee") from each client. The Adviser's fees generally are asset-based and calculated at an annual rate as a percentage of the value of the net assets in the fund or other client account. For all clients, the Management Fee will be prorated for any period less than a full quarter. Clients do not pay the Adviser's fees in advance.

With respect to each fund for which the Adviser serves as sub-advisor, the investment adviser of such fund pays a Management Fee to the Adviser at a fixed rate as disclosed in the offering documents of the applicable fund, a copy of which will be provided to investors prior to investment and will be available upon request at any time. The Management Fee generally is computed based on the average daily net assets of the specific fund. The Management Fee is payable in arrears and deducted from the fund.

Each of the accounts (with respect to funds, through the investment adviser, and with respect to wrap fee accounts, through the wrap fee sponsor) pays a Management Fee at a rate set forth in the investment management agreement between the Adviser and the account, and the rates of such asset-based fees typically range from 0.20% to 1.00%.

Under appropriate circumstances, in the Adviser's sole discretion and where permitted by applicable law, the terms of an investment management agreement or sub-advisory agreement, including fee schedules, terms of payment and termination provisions, may be negotiable. In addition, clients with separate accounts generally will incur brokerage fees for the transactions executed in their accounts as discussed more fully in Item 12, "*Brokerage Practices*."

In the event that the Adviser begins to participate in wrap fee arrangements, clients that receive investment advisory services subject to a wrap fee agreement are expected to be charged a bundled fee (referred to as a "wrap fee") based upon a percentage of the market value of the account. For the vast majority of wrap fee accounts, the sponsor, rather than the Adviser, will charge the fee to the client. The sponsor will calculate the fee to be paid to the Adviser based upon the negotiated fee contained in the contract between the sponsor and the Adviser.

The Adviser also is entitled to receive performance fees from certain clients, as described in Item 6, "*Performance-Based Fees and Side-by-Side Management*" below. The performance fee may be calculated in a variety of ways, depending on multiple factors, including, but not limited to, the nature of the investment strategy, relevant performance benchmarks and performance hurdles, and is generally calculated based on both realized and unrealized appreciation.

The Adviser, in its sole discretion, may negotiate alternative fees with other funds or accounts that it manages in the future. Different investor facts and circumstances will be considered in determining such management or performance fees, including the investor's investment strategy, assets under management, account composition, reporting requirements, economies of scale, if any, and any other factors the Adviser deems relevant. All such fees will be set forth in agreements with such clients.

### **Other Expenses**

As described in the offering documents and/or the investment management agreement with each client, the Adviser is authorized to incur and pay in the name and on behalf of each client all expenses which it deems necessary or advisable. The Adviser generally is responsible for all of its own overhead expenses of an ordinarily recurring nature such as rent, utilities, supplies, secretarial expenses, stationery, charges for furniture, fixtures and equipment, employee benefits including insurance, payroll and other taxes and compensation (and related costs) of all personnel.

Clients incur brokerage costs, third-party execution costs (if any) and other transaction costs associated with the Adviser's management of the accounts' portfolio securities. Please refer to the discussion of the Adviser's brokerage practices in Item 12, "*Brokerage Practices*" below.

In addition to the applicable management fee and brokerage and transaction costs, the funds generally are responsible for their proportionate share of certain administrative expenses; transfer and dividend disbursing fees and costs; accounting services; custodian expenses; federal and state securities registration fees; proxy costs; and the costs of preparing prospectuses and reports sent to shareholders, as will be described in their respective prospectuses, as supplemented from time to time.

Clients with separately managed accounts typically engage a custodian to custody their assets managed by the Adviser and are responsible for custodial fees and other expenses charged by their custodian, including relevant trading and brokerage expenses. Separate account clients who engage futures commission merchants or prime brokers similarly are responsible for the fees charged by those service providers.

The Adviser and its supervised persons do not accept compensation or commissions for the sale of securities or other investment products.

### **ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As disclosed above in Item 5, the Adviser receives from certain of its clients a performance fee, which is based on performance of the account. These accounts pay performance fees calculated at different rates and there may also be waivers or reductions for certain investor accounts. To the extent the Adviser charges a performance fee, the investor must be eligible and the performance fee must generally comply with the requirements of Section 205 of the Advisers Act and Rule 205-3 thereunder. In each case where the Adviser charges a performance-based fee, it seeks a contractual representation from the client that it is qualified to be charged such a fee.

The payment of a performance fee by some, but not all, clients (and the payment of performance fees at varying rates) may create an incentive for the Adviser to disproportionately allocate time, services or functions to clients paying performance fees (or clients paying performance fees at a higher rate), or allocate investment opportunities to such clients. Generally, this conflict will be mitigated by the Adviser's policies and procedures regarding allocation, including that investment opportunities that are appropriate for more than one client will be allocated on an equitable basis. In addition, payment of a performance fee may create an incentive for the Adviser to cause an account to make investments that are riskier or more speculative than would be the case if this payment or allocation were not made. It is the

Adviser's intent, however, that all client portfolios will be managed in like fashion, regardless of fee structure.

The Adviser provides investment advisory services to a variety of funds and separately managed accounts, both domestically and outside of the United States. The Adviser may give advice or take action with respect to the investments of some clients that may not be given or taken with respect to other clients with similar investment programs, objectives and strategies.

Accordingly, client accounts with similar strategies may not hold the same securities or instruments or achieve the same performance. The Adviser also may advise client accounts with conflicting programs, objectives or strategies. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more client accounts.

The Adviser also may have conflicts in allocating its personnel's time and services among client accounts. The Adviser devotes as much time to each client account as it deems appropriate to perform its duties in accordance with its investment advisory agreement. The Adviser has a fiduciary duty to provide unbiased advice and to disclose any material conflicts of interest to its clients, as mandated under the Advisers Act.

The Adviser seeks to act in good faith and to treat all clients in a fair and equitable manner over time, regardless of the client's fee arrangements or the influence of a client or client's beneficiaries. The Adviser employs various controls to assist in the disclosure and management of potential conflicts of interest and maintains policies (including the Adviser's Code of Ethics and a trade allocation policy) that have been designed to mitigate any such conflicts. Item 11 of this Brochure, "*Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*", provides more detailed information on the Adviser's Code of Ethics. In instances where unique requirements or restrictions are required due to the identification of different conflicts, the Adviser may establish additional policies and controls or develop alternate processing requirements to assist in the mitigation of these conflicts.

Please also see Item 12, "*Brokerage Practices*" below regarding trade aggregation, as well as Item 11, "*Conflicts of Interest*" below for additional information relating to how conflicts of interests generally will be addressed by the Adviser.

## **ITEM 7. TYPES OF CLIENTS**

The Adviser provides investment advisory services to a wide variety of clients, including both institutional and retail clients.

The Adviser's institutional client base includes, but is not limited to, high net worth individuals, corporate and public pension plans, endowments, foundations, collective investment trusts and insurance-related accounts. The Adviser also acts as a sub-advisor to fund sponsors and investment products, including a UCITS fund, which is available to qualified, non-U.S. investors.

The Adviser also provides investment management services to retail clients through mutual fund sub-advisory relationships and separately managed accounts sponsored by other investment advisers. The Adviser sub-advises open-end mutual funds and variable insurance portfolios.

For each fund, investment advice is provided directly to the fund, subject to the discretion and control of the board of trustees or directors of the applicable fund, and also subject to the monitoring and supervision of the investment adviser sponsoring the fund. The Adviser does not provide investment advice individually to retail investors in a fund.

The minimum initial investment in each sub-advised fund generally is \$1,000. The minimum account size for an institutional client account generally is \$50 million, subject to the specific terms of each client's investment management agreement. Wrap fee program clients generally will be required to comply with a minimum initial account size imposed by the unaffiliated sponsor, which typically is \$100,000 or more. The Adviser may reduce or waive the minimums or eligibility requirements in certain cases.

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

### **Methods of Analysis and Investment Strategies**

The Adviser seeks to add value primarily through securities selection. The Adviser applies a rigorous fundamental research process to identify common stocks of companies that it believes have long-term capital appreciation potential and are expected to grow faster than the local economy. Generally, securities are selected on the basis of their potential for long-term capital growth.

Using a bottom-up approach, the portfolio managers seek to select securities they believe have large end-market potential or dominance of a profitable niche market, superior business models, and strong free cash flow generation that are attractively priced compared to the intrinsic value of the securities. They also consider a company's operational efficiencies, management's plans for capital allocation, and the company's shareholder orientation. Holdings generally will be sold for the following reasons: a better idea is found (that is, the stock is "crowded out" of the portfolio); an unexpected, negative fundamental change, including change in investment thesis; the holding's valuation becomes stretched past fair value; or portfolio construction considerations.

The above description is qualified in its entirety by the information in each fund's offering materials, or, in the case of an account that is not a fund, by reference to the applicable investment management agreement and related investment guidelines.

### **Investment Risks**

Investing in securities involves a high degree of investment risk, including the risk that the entire amount invested may be lost. The Adviser makes investments using strategies and financial techniques with significant risk characteristics. No guarantee is made that the investment objectives of a particular client will be realized. Below is a list of potential investment risk factors that are reportable in this brochure. There is no guarantee that this is a complete list of the risks, that a fund or other client account will be able to control investment risks or that the risks will not aggregate in a manner adverse to the client. Additional risks associated with an investment in a fund may be disclosed in the offering documents of that fund.

The risks associated with particular investments by a client include, but are not limited to, the following:

*Management Risk.* The risk that the Adviser's investment techniques will fail to produce the desired results and a portfolio may incur significant losses. Each portfolio also runs the risk that the Adviser's determination to apply an investment technique or the Adviser's assessment of an investment may be wrong. There also can be no assurance that all of the Adviser's key personnel will continue to be associated with the Adviser for any length of time. The loss of their services could have an adverse impact on a portfolio's ability to achieve its investment objective.



*Market Risk.* The risk that all or a majority of securities in a certain market — such as the stock market — will decline in value because of factors such as adverse political or economic conditions, future expectations, investor confidence, or heavy institutional selling.

*Industry Risk.* The risk that the value of securities in a particular industry (such as financial services or manufacturing) will decline because of changing expectations for the performance of that industry.

*Equity Risk.* The market price of securities owned by a client may go up or down, sometimes rapidly or unpredictably. A risk that the client's investment portfolio will decline in value due to factors affecting equity securities markets generally or particular industries represented in those markets.

*Investment in Non-U.S. Securities.* The risk that foreign securities (particularly in emerging markets) may be adversely affected by political instability; changes in currency exchange rates; inefficient markets and higher transaction costs; foreign economic conditions; or inadequate or different regulatory and accounting standards.

*Emerging Markets Risk.* Investing in emerging markets can be riskier than investing in established foreign markets due to increase volatility and lower trading volume.

*Currency Risk.* The risk that the value of a portfolio's investments may be negatively affected by changes in foreign currency exchange rates. Adverse changes in exchange rates may reduce or eliminate any gains produced by investments that are denominated in foreign currencies and may increase any losses.

*Liquidity Risk.* The possibility that securities cannot be readily sold within seven days at approximately the price at which they have been valued.

*Lack of Liquidity in Markets.* The markets for many securities and other investments are thinly traded from time to time. This lack of liquidity and market depth could disadvantage a client, both in the realization of the prices which are quoted and in the execution of orders at desired prices or in desired quantities. Also, domestic and international securities exchanges and the SEC and other regulatory authorities have authority to suspend trading in a particular security without notice.

*Counterparty Credit Risk.* The risk that a counterparty to a derivative contract (such as a swap, futures or options contract) or a repurchase agreement may fail to perform its obligations under the contract or agreement due to financial difficulties (such as a bankruptcy or reorganization).

*Foreign government/supranational risk.* The risk that a foreign government or government-related issuer may not be able to make timely payments on its external debt obligations.

*Legal and Regulatory Risks.* The risk that governments or regulatory authorities have, from time to time, taken or considered actions that could adversely affect various sectors of the securities markets.

*Smaller Company Risk.* The risk that prices of small- and medium-sized companies may be more volatile than those of larger companies because of limited financial resources or dependence on narrow product lines.

*Non-diversification Risk.* Focusing investments in a limited number of countries, regions, sectors, companies, indices or in industries with high positive correlations to one another creates additional risk. A fund that is not a "diversified" investment company within the meaning of the 1940 Act has the flexibility to invest its assets in fewer issuers. As a result, the value of such a fund's shares may increase or decrease more rapidly than if it were fully diversified.

*Real Estate Industry Risk.* These risks include among others: possible declines in the value of real estate; risks related to economic conditions; possible shortage of mortgage funds; overbuilding and extended vacancies; increased competition; changes in property taxes, operating expenses or zoning laws; costs of environmental clean-up, or damages from natural disasters; limitations or fluctuations in rent payments; cash-flow fluctuations; and defaults by borrowers. Real estate investment trusts (REITs) are also subject to the risk of failing to qualify for tax-free pass-through of income under the Internal Revenue Code of 1986, as amended, and/or failing to qualify for an exemption from registration as an investment company under the 1940 Act.

*Credit Risk.* The risk that an issuer of commercial paper or other short-term debt securities, including a governmental issuer, or an entity that insures a bond may be unable to make interest payments and repay principal in a timely manner.

*Risks of Derivative Instruments.* Derivatives may involve additional expenses and are subject to the risk that a security or a securities index to which the derivative is associated moves in the opposite direction from what the portfolio manager had anticipated.

*Futures and Options Risks.* The possibility that a portfolio may experience a loss if it employs an options or futures strategy related to a security or a market index and that security or index moves in the opposite direction from what the manager anticipated. Futures and options also involve additional expenses, (such as the payment of premiums) which could reduce any benefit or increase any loss that a portfolio gains from using the strategy.

*Other Possible Risks.* There is no assurance that the above list is complete or that there are no other risks that may exist now or may arise in the future.

## **ITEM 9. DISCIPLINARY INFORMATION**

Item 9 is not applicable to the Adviser, as there have been no reportable material legal or disciplinary events involving either the Adviser or any of its principals. Additionally, the Adviser is not aware of any outstanding legal claims against the Adviser or its principals that the Adviser believes would have a material, adverse impact on managing funds or other client accounts.

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

Neither the Adviser nor any of its management persons are currently registered, or have an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or associated person of any of the foregoing entities. Neither the Adviser nor any of its management persons have a related person among any of the categories enumerated in Item 10(C) of Form ADV Part 2A.

The Adviser does not recommend or select other investment advisers for its clients for which the Adviser receives compensation directly or indirectly from those advisers that creates a material conflict of interest, nor does the Adviser have other business relationships with advisers that create material conflicts of interest.

JSP has entered into an agreement with Delaware Investment Advisers, a series of Delaware Management Business Trust ("DIA") pursuant to which DIA provides certain trading systems, trading systems support services and certain operational support services to JSP.

## **ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics**

The Adviser has adopted a Code of Ethics (the “Code of Ethics”) that states that it is generally improper for the Adviser or employees or certain other persons covered by the Code of Ethics (as used in this Item 11, “employees”) to use for their own benefit (or the benefit of anyone other than a client) information about the Adviser’s trading or investment recommendations for a client or take advantage of investment opportunities that would otherwise be available for a client. The Code of Ethics requires all employees to comply with applicable U.S. federal securities laws at all times. The Code of Ethics requires pre-clearance of each personal investment transaction, subject to certain exemptions. In addition, the Code of Ethics includes a 7-day blackout period designed to prevent front-running and various other activities that create conflicts with the interests of clients.

The Code of Ethics outlines written policies regarding personal trading in any brokerage or trading account in which an employee, or any member of such employee’s immediate family, has any direct or indirect control or beneficial ownership. Under the Code of Ethics, employees who are involved in researching or recommending securities are subject to more restrictive trading prohibitions. The Adviser actively monitors the personal trading activity of its employees to detect and correct any violations of the Code of Ethics. The personal trading policies that the Adviser has adopted generally restrict personal trading of certain securities. An employee is required to disclose all of his or her personal account holdings to the Adviser upon employment. Employees are required to provide certain quarterly and annual securities holdings reports and certifications.

The Code of Ethics requires the Chief Compliance Officer to regularly monitor all trading activity in personal accounts to determine whether all personal trading activity in its employees’ accounts is consistent with the requirements set forth in the Code of Ethics and does not otherwise indicate any improper trading activities. Employees are required to immediately report any violation of the Adviser’s personal trading policies to the Chief Compliance Officer.

This summary of the Code of Ethics is qualified in its entirety by the Code of Ethics of the Adviser, which will be made available to current or prospective clients upon request.

### **Conflicts of Interest**

The Adviser has a duty to act in the best interests of its clients and to treat them fairly when providing investment services to them. The Adviser acts as investment adviser to both pooled vehicles and separately managed accounts. In some cases, both will have similar investment objectives and strategies. From time to time, there may be situations that give rise to a conflict of interest. The material reportable conflicts of interest encountered by the Adviser’s clients include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a particular client. Other conflicts may be disclosed throughout this brochure and in the offering documents of each fund and the governing documents of each other client account, and these materials should be read in their entirety. The Adviser has adopted policies and procedures to address and mitigate potential conflicts of interest, including those described below.

*Investments by Clients.* Purchase and sale orders generally will be combined for clients, with each entity paying its pro rata share of the total commission and paying or receiving its pro rata share of the total cost or sales proceeds. From the standpoint of the client, simultaneous identical portfolio transactions for the client and the other related clients may decrease the prices received, and increase the prices required to be paid, by the client for its portfolio sales and purchases.

There also may be a conflict of interest in the allocation of investment opportunities among clients. The Adviser seeks to allocate investment opportunities in a fair and equitable manner that is believed to be appropriate and in the best interests of all the entities involved, and that will not favor or disfavor any client or class of clients in relation to any other clients. Further, the Adviser does not allocate investment opportunities based, in whole or in part, on the relative fee structure or amount of fees paid by any client or the profitability of any client.

While allocations among clients generally are made on a pro rata basis in proportion to the relative equity of each, there can be no assurances that an investment opportunity that comes to the attention of the Adviser will not be allocated wholly or primarily to other clients, with any particular client being unable to participate in such investment opportunity or participating only on a limited basis. If, in the discretion of the Adviser, a client should not participate in a particular investment opportunity for tax or regulatory reasons, such investment opportunity will be allocated only to clients not affected by such tax or regulatory reasons. To the extent an investment is not allocated pro rata, a client could incur a disproportionate amount of income or loss related to such investment relative to the other clients. See Item 12 *“Aggregation of Orders”* below for more information regarding the Adviser’s policy on aggregating orders.

A client could be disadvantaged because of activities conducted by the Adviser for other clients as a result of, among other things: legal restrictions on the combined size of positions which may be taken for all accounts managed by the Adviser, thereby limiting the size of a client’s position; and the difficulty of liquidating an investment for more than one account where the market cannot absorb the sale of the combined positions.

The Adviser generally is not under any obligation to share any investment, idea or strategy with all of its clients. Decisions to buy and sell investments for each client are made by the relevant portfolio manager with a view to achieving each client’s investment objectives. Therefore, a particular investment may be bought or sold for only one client or in different amounts and at different times for more than one but less than all clients, even though it could have been bought or sold for other clients at the same time. Likewise, a particular investment may be bought for one or more clients when one or more other clients are selling the investment.

In addition, there may be circumstances under which the Adviser will consider participation by a client in investment opportunities in which the Adviser does not intend to invest, or intends to invest only on a limited basis, on behalf of other clients. The Adviser may give advice or take action with respect to the assets of one client that may compete with the advice or investment action that it may take on behalf of other clients. The Adviser will evaluate for each client a variety of factors which may be relevant in determining whether a particular situation or strategy is appropriate and feasible for the client at a particular time, including the nature of the investment opportunity taken in the context of the other investments at the time, the liquidity of the investment relative to the needs of the particular client, the investment or regulatory limitations on the particular client and the transaction costs involved. Because these considerations may differ for a client and one or more other clients in the context of any particular investment opportunity, investment activities of the client and other clients may differ considerably from time to time. There can be no assurance that a client will not receive less (or more) of a certain investment than it would otherwise receive if the Adviser did not have a conflict of interest among clients. In effecting transactions, it may not be possible, or consistent with the investment objectives of the Adviser’s various clients, to purchase or sell securities at the same time or at the same prices.

In situations where the Adviser’s personnel are aware of conflicts or potential conflicts among advisory accounts, it is the Adviser’s policy to disclose to the relevant clients the existence of such conflicts or potential conflicts through its Form ADV or otherwise.

*Transactions with Affiliates.* Clients may participate in transactions in which the Adviser or any of its employees, members and/or principals are directly or indirectly interested. In connection with such transactions, a client, on the one hand, and the Adviser, its employees, members and/or principals, on the other hand, may have conflicting interests.

*Personal Trading.* The Adviser or its employees, members and/or principals may take part in, among other things, advisory, transactional and financial activities and/or hold interests in securities and companies that may be directly or indirectly purchased or sold by the Adviser for its clients' accounts. The records of any such trades by the Adviser or its employees, members and/or principals will not be open to inspection by the clients' investors. The Adviser maintains compliance policies and procedures, including personal trading policies, which are designed to reduce potential conflicts of interest between the Adviser and its clients (see "Code of Ethics" above). When the Adviser's personnel become aware of conflicts or potential conflicts among advisory accounts, or between advisory accounts and the Adviser and/or personnel of the Adviser, it is the Adviser's policy to disclose the existence of such conflicts or potential conflicts through its Form ADV or otherwise to clients.

*Material Non-Public Information and Insider Trading.* The Adviser may from time to time acquire confidential, material non-public information ("MNPI") about issuers, corporations, or other entities and their securities. The Adviser may not use MNPI obtained during the course of making investment decisions relating to public securities for its clients. Additionally, the Adviser may not be free to divulge or to act upon such information with respect to its activities and, on occasion, may be restricted from buying or selling certain securities on behalf of clients because of these circumstances. These restrictions may adversely impact the investment performance of client accounts. The Adviser has implemented procedures, including those described below relating to information barriers, that prohibit the misuse of such information by the Adviser, its employees, and on behalf of its clients. Although the procedures do not provide absolute assurance as to the correct handling of material non-public information, these procedures have been reasonably designed to aid the Adviser's personnel in avoiding insider trading, and to aid the Adviser in preventing, detecting and imposing sanctions against, insider trading.

*Other Trading Restrictions.* In addition to the foregoing, the Adviser maintains one or more restricted lists of companies whose securities are subject to certain trading prohibitions. The Adviser may restrict trading in an issuer's securities if the issuer is on a restricted list or if the Adviser otherwise has MNPI about that issuer. A client's account may be prohibited from buying or selling certain securities until the restriction is lifted, which could disadvantage the client's account. In some cases, the Adviser may not initiate or recommend certain types of transactions, or may otherwise restrict or limit its advice relating to certain securities if a security is restricted due to MNPI.

The Adviser attempts to disclose material conflicts of interest in this document. However, because conflicts can often arise for registered investment advisers, in responding to the particular items of Form ADV Part 2, the Adviser has focused on identifying those conflicts that may be most salient. Set forth in this section is a description of certain conflicts that arise in the course of the Adviser's activities as well as a description of how the Adviser seeks to address such conflicts. Other sections of this brochure also provide a description of additional conflicts of interest that may arise in the operation of the Adviser's business. Please see Item 12, "*Brokerage Practices*," for a description of the Adviser's procedures with respect to the allocation of investment opportunities among its clients, including the allocation of limited opportunities, and a discussion of the factors the Adviser considers when selecting brokers to effect transactions for clients. Please also see Item 5, "*Fees and Compensation*," and Item 6, "*Performance Based Fees and Side-by-Side Management*" for a description of conflicts associated with the fees charged by the Adviser, including performance fees. Item 17, "*Voting Client Securities*" discloses conflicts relating to proxy voting.

## **ITEM 12. BROKERAGE PRACTICES**

### **Brokerage Policy and Procedures**

It is the Adviser's policy to execute portfolio transactions for client accounts in the best interests of clients, including to seek to obtain "best execution" for clients' accounts (except where the Adviser does not have the authority to select the broker or dealer, to negotiate the price or commission or to execute the portfolio transaction). The term "best execution" means seeking the best price and execution for a security in the marketplace, taking into account various factors, including research and other soft dollar benefits. The Adviser is not obligated to obtain the lowest possible commission cost, but rather, should determine whether the transaction represents the best qualitative execution for clients. The Adviser has adopted procedures to help it apply this policy.

In order to ensure compliance with its best execution policies and procedures, the Chief Compliance Officer will periodically monitor broker-dealers to assess the quality of execution of brokerage transactions effected on behalf of the Adviser and its clients based on the Adviser's policies and procedures. The Adviser also has engaged a monitoring service as provided by a third party evaluator, specifically, Abel Noser.

### **Brokerage for Client Referrals**

The Adviser does not consider client referrals when selecting or recommending broker-dealers.

### **Selection of Broker-Dealers**

The Adviser generally is solely responsible for choosing the broker or brokers used for each securities transaction for clients, however, the Adviser's discretion to select broker-dealers is often limited by contract for wrap fee program clients and can be limited by other clients. In negotiating commission rates and selecting broker-dealers, the Adviser takes into account the financial stability and reputation of the particular broker-dealer, the ability to achieve prompt and reliable executions at favorable prices, the operational efficiency with which transactions are effected and the brokerage and research services provided by such broker-dealer, among other factors. Since commission rates generally are negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable.

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

The Adviser believes that valuable brokerage and research services can be provided to the clients by brokerage firms effecting transactions for the clients. Accordingly, the Adviser does not seek lower brokerage commissions to the extent that doing so might detract from the provision of such brokerage and research services. The Adviser may cause clients to pay commissions higher than those charged by other brokers in return for soft dollar benefits.

Research services may be proprietary research (created or developed by the broker-dealer) or research created or developed by a third party. Research services provided by broker-dealers take various forms, including personal interviews with analysts; meetings arranged with various sources of information regarding particular issuers (including company management); analyses and reports concerning specific issuers, securities, or industries; specific information about local markets and applicable regulations, economic factors and trends; the advisability of investing in, purchasing or selling securities; and the availability of securities or purchasers or sellers of securities. In addition, the research or services received may include assistance in determining portfolio strategy; pricing services in

respect of securities; providing execution and clearance services and analysis information; and providing portfolio performance evaluation and technical market analysis.

To the extent that services of value are received by the Adviser, it receives a benefit because the Adviser will not have to produce or pay for such research, products or services. The Adviser may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than in the Adviser's clients' interest in receiving lowest cost for execution.

Research services, whether obtained by the use of commissions arising from a client's portfolio transactions or paid for by the Adviser and charged to a client, may be used by the Adviser for the benefit of other clients. In formulating and implementing its policies pertaining to the use of commissions or "soft dollars" it is the Adviser's intent to stay within the parameters of Section 28(e) of the Securities Exchange Act of 1934, as amended.

### **Directed Brokerage**

The Adviser has implemented policies and procedures to allow for client directed brokerage arrangements on a limited basis. Certain clients may direct the Adviser to effect transactions through a designated broker or brokers. Client direction requests must be in writing and indicate that the request is properly authorized. For accounts subject to the Employee Retirement Income Securities Act of 1974, such requests must also indicate that they are in the best interest of the plan, for the exclusive benefit of the plan, and subject to best execution.

Use of directed brokerage arrangements may deprive a client of benefits that might otherwise be obtained by "bunching" the client's order with orders for other client accounts and may result in the client's paying a higher commission rate, receiving less favorable execution than if the Adviser had discretion to select the broker or negotiate the commission rate, or orders being placed at different times and potentially after orders are placed for clients who have not implemented directed brokerage arrangements. For example, because portfolio transactions for a wrap fee account are generally handled by the wrap fee account sponsor, this may affect the timing of a transaction executed for a wrap fee account. To the extent that a client engages in directed brokerage arrangements, the Adviser's ability to obtain best execution for the client may be hindered by the directed brokerage relationship and the client may forego any benefit from savings on execution costs that the Adviser could obtain for its other clients through negotiating for volume discounts with brokers. It is important to note that although the Adviser may attempt to satisfy client direction requests; there can be no guarantee that such requests will be fully satisfied.

### **Aggregation of Orders**

Since certain clients have similar investment objectives and programs, the Adviser may combine buy or sell orders for two or more clients into a single large order, and place the combined order with a single broker or dealer for execution. In many instances, such "bunching" of orders can result in lower commissions, a more favorable net price or more efficient execution than if each client's order were placed separately.

There may, however, be instances in which order aggregation results in a less favorable transaction than a particular client would have obtained by trading separately. Similarly, when orders are not bunched, there may be circumstances when purchases or sales of portfolio securities for one or more clients will have an adverse effect on other clients. The Adviser is not obligated to place all transactions on an aggregated basis, and in determining whether or not to combine orders the Adviser will rely on the judgment of certain of its trading personnel as to what course of action is likely to be fair and in the best interests of the relevant accounts on an overall basis. Transactions involving commingled orders will be allocated in a manner deemed equitable to each account. The Adviser seeks to avoid putting any client account at an

advantage or disadvantage compared to the Adviser's other client accounts that are buying or selling the same security. When a combined order is executed in a series of transactions at different prices, each account participating in the order may be allocated an average price obtained from the executing broker. To help ensure the equitable distribution of investment opportunities among its clients, the Adviser has adopted written trade allocation guidelines for its personnel.

Each client participating in a commingled order will participate at the same price as all other participants, and all transaction costs on the order will be allocated pro rata to all participating clients. See Item 11, "*Conflicts of Interest*" above for more information regarding conflicts of interest related to aggregating or "bunching" orders.

## **ITEM 13. REVIEW OF ACCOUNTS**

### **Oversight and Monitoring**

The Adviser provides continuous advisory services for its clients. The portfolio investments of each client are primarily reviewed by a team of portfolio managers, including Jeffrey S. Van Harte, Christopher J. Bonavico, Kenneth F. Broad, Christopher M. Ericksen, Ian D. Ferry, Patrick G. Fortier, Gregory M. Heywood and Daniel J. Prislín. These investment professionals meet periodically on both a formal and informal basis to discuss portfolio strategy, composition, security selection, industry/sector weightings and other topics relevant to managing each portfolio account. The Adviser also directs certain personnel or service providers, including those performing compliance functions, to review the portfolio as needed.

### **Reporting**

The Adviser provides regular periodic reports on fund portfolios in accordance with the applicable fund's organizational and offering documents, and the Adviser provides regular periodic reports on other client accounts as may be agreed upon with each account's owner and documented in the investment management agreement pertaining to that account. Periodically, the Adviser will supply various types of portfolio information to clients, as appropriate for the type of client and requested reporting frequency. Clients that request reports generally receive monthly and/or quarterly statements and reports that relate applicable account information on topics including, but not limited to, the following: portfolio holdings; portfolio valuation; relative and absolute performance; trading and commission activity; and views on securities markets and the economy. In addition to the foregoing, the Adviser may prepare and disseminate a variety of special reports in accordance with individual client specifications.

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

The Adviser does not receive an economic benefit from anyone who is not a client for providing investment advice or other advisory services to its clients. In addition, neither the Adviser nor any of its related persons currently compensates any person for client referrals.

## **ITEM 15. CUSTODY**

The Adviser does not act as a custodian for client assets. Client funds and securities are held by a qualified custodian appointed by clients pursuant to a separate custody agreement or may be held by the clients themselves. For the funds, the qualified custodian is not required to send account statements directly to the shareholders in the fund. For other client accounts, clients receive separate account statements from the qualified custodian. Clients should carefully review these account statements, and to the extent the Adviser also delivers statements to such clients, compare these statements to the account statements they receive from the qualified custodian.



## **ITEM 16. INVESTMENT DISCRETION**

With respect to the funds, the Adviser provides investment advice directly to the funds pursuant to a written sub-advisory agreement with each of the funds, subject to the discretion and control of the board of trustees or directors of the applicable fund and the fund's investment adviser, and not directly to the investors in the funds. Powers of attorney and any restrictions on the Adviser's authority are set forth in the organizational documents and, if applicable, subscription documents of the funds.

The Adviser accepts authority to manage account assets on a discretionary basis. In general, clients enter into a written investment management agreement or sub-advisory agreement with the Adviser, which sets forth the parties' responsibilities and the scope of the Adviser's authority over the client's account. As described above in Item 4, "*Advisory Business*," the Adviser's discretionary authority as to the securities to be bought or sold for an account is subject to the agreed-upon investment objectives, guidelines, limitations and restrictions for the account. Such investment limitations vary from one account to another and may include, but are not limited to, diversification requirements, benchmark deviation, industry concentration, restrictions prohibiting the purchase of certain securities or securities of certain types of issuers, prohibiting investments in certain countries or markets, and prohibiting the employment of certain investment strategies or techniques (*e.g.*, derivatives).

## **ITEM 17. VOTING CLIENT SECURITIES**

The Adviser has adopted written voting policies and procedures (the "Procedures") that govern the Adviser's voting of client securities. The Adviser generally votes proxies with the goal of promoting high levels of corporate governance and adequate disclosure of company policies and practices.

The Procedures include specific proxy voting guidelines that set forth the general principles the Adviser uses to determine how to vote in client accounts for which it has proxy voting responsibility. The Chief Compliance Officer regularly reviews the Procedures to help ensure that they are designed to allow the Adviser to vote proxies in a manner consistent with the best interests of its clients.

The Adviser generally expects that its clients will authorize it to vote all proxies relating to shares held in an account over which it has investment discretion. At times, however, certain clients may direct the Adviser how to vote on a particular proxy for a security held in the client's account. Where a client has reserved the right to vote proxies, the Adviser will not participate in voting of proxies. In cases where the Adviser does not have authority to vote client proxies, the client should have arrangements in place with the client's custodian or other third party to have proxies (i) sent to the client to be voted by the client or (ii) voted by the custodian or other third party.

The Adviser reserves the right, on occasion, to abstain from voting a proxy or a specific proxy item when it concludes that the cost of voting outweighs the potential benefit or when the Adviser otherwise believes that voting does not serve its clients' best interests. Clients should also be aware that voting proxies of issuers in non-U.S. markets may give rise to a number of administrative issues that may prevent the Adviser from voting proxies for certain companies in these jurisdictions. For example, the Adviser may receive shareholder meeting notices without enough time to fully consider the proxy or after the cut-off date for voting. Other markets may require the Adviser to provide local agents with power of attorney prior to implementing its voting instructions.

In order to facilitate the actual process of voting proxies, the Adviser has contracted with Institutional Shareholder Services ("ISS") to analyze proxy statements on behalf of its clients and to vote proxies in accordance with the Procedures. After a proxy has been voted for a client, ISS will create a record of the vote. The Adviser's Proxy Voting Committee is responsible for overseeing ISS's proxy voting activities.

Most proxies that the Adviser receives on behalf of clients generally are voted by ISS in accordance with the Procedures, although the Adviser anticipates that its portfolio managers may increasingly become involved in proxy voting determinations. In certain cases, the portfolio management team may direct ISS to vote a particular proxy contrary to the Procedures if the portfolio managers believe that such a vote would better serve the client's best interests.

Because the majority of proxies are voted by ISS pursuant to the pre-determined procedures, it normally is not necessary for the Adviser to make an actual determination of how to vote a particular proxy, thereby significantly reducing conflicts of interest for the Adviser during the proxy voting process. Nevertheless, the Procedures include a section to address the possibility of conflicts of interest between the Adviser and its clients. In the instances where the Adviser may consider voting a proxy contrary to the ISS recommendation, the Proxy Voting Committee will first take steps to identify any possible conflict of interest. If the members of the Proxy Voting Committee have actual knowledge of a conflict of interest, they will normally use another independent third party to do additional research on the particular proxy issue in order to make a recommendation. The Proxy Voting Committee will then review the proxy voting materials and recommendation provided by ISS and the independent third party to determine how to vote the issue in a manner that the Proxy Voting Committee collectively believes is consistent with the Procedures and in the best interests of the client.

This summary of the Adviser's Procedures is qualified in its entirety by the Adviser's Procedures. The Adviser will make information regarding how proxies were voted available to any client upon written request. A copy of the Procedures will be available to any client or prospective client upon request by calling (415) 635-0225.

#### **ITEM 18. FINANCIAL INFORMATION**

Item 18.A is not applicable to the Adviser, as it does not require or solicit prepayment of fees six months or more in advance.

In response to Item 18.B, the Adviser is not currently aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its clients.

Item 18.C is not applicable to the Adviser, as it has not been subject to a bankruptcy petition during the past ten years.

#### **ITEM 19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Item 19 is not applicable to the Adviser as it is not currently registered with any State securities authority.