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March 30, 2016

**This Brochure provides information about the qualifications and business practices of Genesee Investments LLC (the “Adviser”), an investment adviser registered with the Securities and Exchange Commission (the “SEC”).**

**If you have any questions about the contents of this Brochure, please contact us at 425-283-1600 and/or at [info@geneseeinvc.com](mailto:info@geneseeinvc.com). This information has not been approved or verified by the SEC or by any state securities authority.**

**Additional information about Genesee Investments LLC is also available on the SEC’s website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).**

**Registration with the SEC or any state securities authority does *not* imply a certain level of skill or training.**

## **Item 2. Material Changes.**

This Brochure dated March 30, 2016 is a document prepared according to the Securities and Exchange Commission's new requirements and rules effective October 12, 2010. Please note this Brochure format is materially different in structure and requires certain new information that our previous brochures did not require.

This section will discuss only specific material changes that are made to this Brochure and provide clients with a summary of such changes and reference the date of our last annual update of our brochure.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Updated interim Brochures will be provided to you as necessary based on changes or new information, without charge.

*Summary of Material changes to the Brochure since the last version dated March 31, 2015:*

There are no material changes to report.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Updated interim Brochures will be provided to you as necessary based on changes or new information, without charge.

Currently, our Brochure may be requested by contacting us at 425.283.1600 or [info@geneseelinv.com](mailto:info@geneseelinv.com).

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#### **Item 4. Advisory Business.**

The Adviser is an investment adviser with its principal place of business in Bellevue, Washington. The Adviser commenced operations as an investment advisor in 2002 and has been registered with the SEC since 2003. Coldstream Capital Management, Inc. (“Coldstream”), which is also a Registered Investment Adviser, owns 100% of the Adviser.

The Adviser provides investment advice on a discretionary basis to affiliated, privately offered investment funds (the “Genesee Funds”) intended for sophisticated and institutional investors. The investment strategies employed by the Adviser are “fund of funds” strategies whereby the assets managed by the Adviser are placed with a number of third-party professional money managers (“Money Managers”) selected by the Adviser primarily through investments in hedge funds under the direction of those Money Managers. The Adviser provides advice to the Genesee Funds based on specific investment objectives and strategies.

As of December 31, 2015, the Adviser had approximately \$ 21,306,171 under management. That entire amount is managed on a discretionary basis.

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

##### **A. Advisory Fees and Compensation**

###### Asset Based Fees.

The Adviser charges each investor in the Genesee Funds an investment management fee based on the value of the investor’s investment, in accordance with the following schedule:

For Genesee Balanced Fund LP and Genesee Balanced Fund Ltd.:

<u>Investment Amount</u>	<u>Annualized Investment Management Fee (As a % of Investment Amount)</u>
All investment amounts	1.0%

For Genesee Credit Opportunities Fund LP (a sleeve of Genesee Balanced Fund LP) and Genesee Credit Opportunities Fund Ltd. (a sleeve of Genesee Balanced Fund Ltd.):

<u>Investment Amount</u>	<u>Annualized Investment Management Fee (As a % of Investment Amount)</u>
Up to \$20,000,000	1.5%
\$20,000,000 and above	1.0%

If the investor has been introduced to the Genesee Funds by a placement agent, finder or wealth management organization, the annual percentage rate may be determined by combining the amounts invested in all of the funds above by all investors introduced to the fund by the placement agent, finder or wealth manager.

Investment management fees are charged monthly in arrears. The fee is paid at the end of each calendar month and is based on the value of each investor's investment (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) as of the first day of such month.

The Adviser has discretion to alter the fee structure on a case by case basis and has done so in the past. Accordingly, fees have been and may be negotiable.

### Performance-Based Compensation

For Genesee Balanced Fund LP and Genesee Balanced Fund Ltd., the Adviser is paid a performance-based incentive fee of 5% of the profits allocated during the year. The performance-based fee is based on the share of capital gains on or capital appreciation of an investor's investment. The Adviser will not receive a performance fee with respect to any investor in a particular year unless the investor has recouped any prior years' losses. The incentive fee is accrued monthly and payable annually. The Adviser can make monthly draws and any draws in excess of the actual performance fee earned (if any) must be repaid promptly after each year-end.

### **B. Payment of Fees**

The Adviser deducts the asset based fee by instructing the Genesee Funds' administrator who in turn instructs the Genesee Funds' custodian to do so.

### **C. Other Fees and Expenses**

Each of the Genesee Funds pays its own operating and other expenses including, but not limited to, legal expenses, auditing expenses, tax preparation expenses, administrative, custodial and other operational expenses. Investors in the fund will bear their pro rata portion of those expenses. In addition, the Genesee Funds are structured as master-feeder funds. Feeder funds bear a pro rata share of the expenses associated with Genesee Master Balanced Fund Ltd. (the "Master Fund").

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

The Adviser and its investment personnel provide investment management services to the Genesee Funds. The Adviser is paid performance-based compensation for managing these funds. In addition, investment personnel may be compensated on a basis that includes a performance-based component. The potential to earn a performance fee creates an incentive for the Adviser to cause the Genesee Funds to invest in risky investments in order to generate a large performance fee. This creates a conflict of interest between the Adviser's interests and a Genesee Fund's investment objective. The Adviser has adopted and implemented policies and procedures intended to address this conflict of interest. These procedures

include, but are not limited to, the adoption of an Investment Policy and Procedure document, which establishes investment guidelines limiting concentration to single managers and certain investment strategies.

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

The Adviser's current clients are all pooled investment vehicles.

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

### **A. Methods of Analysis and Investment Strategy**

The Adviser employs various fund of funds strategies whereby it manages on behalf of a client a portfolio of investments in hedge funds managed by a number of Money Managers.

Allocation of a client's assets is based, among other factors, on the Adviser's macroeconomic view of conditions affecting each asset class, correlation among strategies, and availability of Money Managers in each asset class.

The Adviser's investment process includes the development of a macroeconomic view of different hedge fund strategies, development of a market and economic outlook, and the development of allocation parameters among various hedge fund strategies. The Adviser then applies the allocation parameters and chooses the Money Managers. The Adviser monitors and reviews the client portfolios and the individual Money Managers.

Prospective managers are identified through an extensive search of the hedge fund manager universe, including: discussions with long-term personal and professional contacts in the hedge fund industry, other fund of funds managers, and specialized consultants; attendance at conferences and road-shows hosted by broker-dealers; review of various databases, screening services, and industry publications; and contact with third-party marketing groups. Once identified the Adviser then researches, interviews, evaluates, selects and monitors the Money Managers with whom each client invests. In identifying the Money Managers, the Adviser:

- Makes a preliminary evaluation of prospective managers, comparing strategy, performance, size, risks and structure.
- Interviews the prospective managers who appear to offer the most attractive investment opportunities.
- Quantitatively evaluates a prospective manager's historical performance for such factors as volatility of returns and the correlation of returns to the U.S. securities markets as well as to the returns of other portfolio entities.
- Quantitatively evaluates the impact a prospective manager will have on the portfolio as a whole, including the impact the additional portfolio entity will have on volatility and the correlation of the Genesee Fund to various asset classes.

- Assesses through various types of qualitative due diligence the personal characteristics of each prospective manager and its staff: integrity, honesty, talent, expertise, flexibility and dedication.
- Qualitatively evaluates each prospective manager's performance in terms of risk/reward characteristics, estimated costs and investment discipline.
- Undertakes operational due diligence procedures to review a prospective manager's internal controls and obtain certain verification from third-party service providers.

The Adviser views the following characteristics as favorable:

- The Money Manager minimizes outside unrelated investment business.
- The Money Manager has invested a significant amount of his or her own capital in the strategy proposed to be implemented on behalf of a client.
- The Money Manager's strategy has achieved a high rate of return relative to the apparent risks of that strategy.
- The volatility of the Money Manager's strategy is low relative to the volatility of other money managers using the same or similar strategies.
- The Money Manager has specialized expertise and is talented, versatile, flexible and opportunistic.
- The Money Manager has satisfactory internal operational controls and the capability to report portfolio performance timely and accurately.
- The Money Manager has a reputation for integrity and high business standards.

Although quantitative analysis by the Adviser is important in evaluating a prospective Money Manager, subjective judgmental factors also play a significant role in the process.

The Adviser normally asks each Money Manager to provide an oral or written statement of portfolio performance two to four times each month. Generally, the Adviser has a conference call with the Money Manager periodically and visits the Money Manager at their offices annually. The Adviser maintains an information and due diligence file for each Money Manager, records for each portfolio entity and all reports and financial statements received from each Money Manager.

The performance of each Money Manager is frequently compared with the performance of other money managers managing similar strategies who may or may not be managing money for the client as well as to applicable strategy benchmarks.

The reasons for reducing or entirely withdrawing the capital allocated to a particular Money Manager may include:

- A change in the market or economic outlook or a reassessment of general investment conditions or market trends affecting certain hedge fund strategies resulting in a change in the asset allocation parameters.
- A better alternative Money Manager or strategy for investing the capital.
- A change in the Money Manager's strategy, discipline or personnel.
- A significant change in the amount of assets under the Money Manager's management, including an increase in assets beyond the perceived investment opportunity in the Money Manager's strategy.

- Performance that is low in return or high in volatility relative to the Money Manager's own objectives or to the performance of other Money Managers using the same or similar strategies.
- A Money Manager's or their portfolio entity's dishonesty, misconduct or failure to comply with the terms of its organizational documents, offering documents or contractual agreements with the client.
- Changes in laws or regulations which may have the effect of reducing potential income from that strategy.
- The need for portfolio liquidity to meet investor redemption requests or otherwise.

## **B. Material Risks (including Significant or Unusual Risks) Relating to Investment Strategies**

**FOR A COMPLETE DISCLOSURE OF THE RISKS INVOLVED IN INVESTING IN THE GENESEE FUNDS, PLEASE SEE THE SPECIFIC FUND'S OFFERING DOCUMENTS.**

### Lack of Liquidity

Genesee Funds only allow redemptions quarterly. Further, the hedge funds in which the Genesee Funds invest can limit or restrict redemptions. This could cause the Genesee Funds to limit or restrict redemptions. Thus, an investor in the Genesee Funds may not be able to redeem his or her entire investment quarterly. The Genesee Funds did have to restrict a portion of fund investors' redemptions beginning in 2010 and continues to do so for investors who invested prior to September 5, 2010.

### Limits on Valuation of Investments

The great majority of hedge funds are not traded on any organized exchange or market and the valuation of such investments will necessarily be based on judgment and will involve estimates and assumptions that affect the reported amounts. In addition, some hedge funds invest in securities that are not publicly traded, or in publicly traded securities that have very little trading volume. Thus, the value of an investment in a hedge fund at any particular point in time will be based on the information that is then available, which may not be observable and which may be limited or as of an earlier point in time. For all of these and similar reasons, valuations will be subjective and actual values could differ from those reported. The Adviser reviews the Money Manager's policies and procedures for valuing illiquid or hard to value investments in order to evaluate whether those policies and procedures are reasonable. However, the Adviser does not undertake an independent valuation of those positions, and relies on the valuations provided by its underlying managers.

### Risks of Leverage

The Fund and the Master Fund may borrow through the establishment of lines of credit or by other means of leverage to make investments or for other purposes if the General Manager determines, in its discretion, that such borrowing is in the best interest of the entity employing leverage.

The Master Fund has established a credit facility through an Accession Agreement with Mercantile Place IC, an affiliate of the Custodian. The maximum amount available to the Master Fund under the credit



facility is \$2,000,000. The credit facility is intended to provide the Master Fund short-term cash flow to fund investments in Portfolio Entities pending receipt of subscription proceeds, and to meet redemption requests from the Fund pending satisfaction of the Master Fund's redemption requests to Portfolio Entities. Although the General Manager currently expects to use the credit facility only for such cash flow management, the credit facility by its terms does not limit borrowings to that purpose and may be used for longer-term investment leverage.

The Accession Agreement is collateralized by the Master Fund's investments in Portfolio Entities and all other financial assets of the Master Fund. In the event of a default by the Master Fund under the Loan Agreement, the Lender is entitled to recover up to the total amount outstanding on the loan. The Accession Agreement can be terminated by either the Lender or the Master Fund in four months after the delivery of notice to the other party.

The Loan Agreement arrangement creates a number of material risks:

- Some of the Money Managers may employ strategies involving financial leverage, such as buying securities on margin.
- The Master Fund or its Money Managers may also employ strategies involving investment leverage, such as the use of options, swaps, futures contracts and other derivative securities, or other forms of leverage or credit.
- In addition, the Master Fund or its Money Managers will engage in short sales that routinely require securities to be "borrowed" to effect the sales, using margin accounts.

In the case of an investment through a Portfolio Entity, the Master Fund's liability for losses resulting from leveraged transactions will generally be limited to the amount of the investment. The Fund should not incur any direct liability as a result of investments made by the Master Fund or its Money Managers. If the Fund for any reason did incur such liability, then, except for certain limited circumstances where a shareholder might be required to return distributions, a shareholder would be at risk only for the loss of the shareholder's investment.

The degree of leverage employed by a Portfolio Entity will not be subject to the control of the General Manager.

The maximum amount of leverage any Master Fund can currently employ is 1.2:1 (\$1.20 in leverage for every \$1.00 of equity.). These terms may change upon renewal of leverage agreements.

### Concentration

There are two types of concentration risk that investors in the Genesee Funds take. First, the Genesee Fund's underlying hedge funds could be invested in the same underlying securities or group of securities. This concentration could increase investors' investment risk. Second, the Master Fund invests in a limited number of hedge funds. The failure of even one hedge fund could have a material impact on an investor's returns.

### Risks Specific to the Credit Opportunities Fund (“COF”)

Genesee created the Credit Opportunities Master Fund (“COF”) as a “sleeve” of the Master Fund; investors participate in COF through separate share classes of the Genesee feeder funds. COF attempts to take advantage of niche opportunities in the credit markets, primarily in non-agency residential mortgage backed securities (“RMBS”). COF invests in a limited number of Portfolio Entities whose Money Managers focus on credit-related investment strategies. This may result in the COF’s portfolio of positions becoming highly concentrated, illiquid and leveraged. The Credit Opportunities Fund’s risk of loss is greatly increased by this strategy relative to a more broadly diversified investment approach.

### Cross-Class Liability

Although the Credit Opportunities Master Fund is a separate share class of the Master Fund, the Master Fund is a single legal entity and, accordingly, shareholders of the Credit Opportunities Master Fund (including the Credit Opportunities Fund) may be compelled to bear the liabilities incurred in respect of other classes or series of Master Fund shares which Credit Opportunities Master Fund shareholders do not themselves own if there are insufficient assets in those other classes or series to satisfy those liabilities. Thus, there is a risk that liabilities of one class or series of Master Fund shares may not be limited to that particular class or series and may be required to be paid out of the assets of the Credit Opportunities Master Fund.

### Market Risks

The profitability of the investment program of the Master Fund depends to a great extent upon the General Manager correctly assessing the future profitability of certain investment strategies. Similarly, the profitability of the investment program of hedge funds often depends to a great extent upon the Money Managers correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that the General Manager or the various Money Managers will be able to predict accurately economic and market conditions or price movements.

### **C. Risks Associated with Types of Securities that are Primarily Recommended (including Significant or Unusual Risks)**

**FOR A COMPLETE DISCLOSURE OF THE RISKS INVOLVED IN INVESTING IN THE GENESEE FUNDS, PLEASE SEE THE SPECIFIC FUND’S OFFERING DOCUMENTS.**

## Trading in Currencies, Commodities, Futures, Options, Swaps, Forward Contracts and Other Derivative Instruments

Some of the Money Managers may trade in currencies, commodities and futures and other derivative instruments whose values are based on the price of related securities, currencies, commodities or other interests. A position in a derivative instrument may involve risks that are separate and distinct from those of the underlying interest. For example, the leverage and volatility represented by a derivative instrument is often significantly greater than that of the underlying interests.

Commodity markets are also highly volatile. In addition, these markets are subject to regulatory constraints which could force a Money Manager to liquidate positions at an inopportune time.

Option strategies also can create a high degree of risk in that certain investments in options create an unlimited risk of loss (although an investor in a Genesee Fund's loss is limited to his or her investment amount).

Investments in swaps, forward contracts or similar derivative or synthetic instruments that are not traded on an exchange expose an investor to credit risk with respect to parties with whom it trades.

Some derivative instruments may be valued using financial models, and these models may be used by Money Managers in making investment decisions regarding derivatives. There can be no assurance that financial models correctly capture the price behavior of a derivative.

## Short Selling and Related Strategies

Some of the Portfolio Entities may engage in the short selling of securities. Short selling entails material risks, due to the theoretical lack of an upper limit on the price to which a security may rise. If a Portfolio Entity engages in short selling, the Master Fund's potential loss will generally be limited to its investment in the particular Portfolio Entity.

## Non-marketable Securities

The Master Fund or its Money Managers may under certain circumstances invest in securities that are initially or that later become unmarketable. This could result in a lack of liquidity for the Master Fund to make additional investments or could result in a Genesee Fund restricting redemptions from the fund.

## Investments in Offshore Funds and Non-U.S. Securities

Some Genesee Funds will be organized outside of the United States. In addition, some of the Money Managers may be domiciled in countries other than the United States. The Master Fund and its Money Managers may invest in non-U.S. securities, including securities of issuers in emerging markets and

securities denominated in currencies other than the U.S. dollar. Such investments may be subject to different risks than U.S. investments due to a number of factors including but not limited to an increased level of volatility and certain legal risks, especially in Emerging markets.

#### **Item 9. Disciplinary Information.**

This item is inapplicable.

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

Genesee Investments LLC is a wholly owned affiliate of Coldstream Capital Management, Inc. (“Coldstream”), which is also a Registered Investment Adviser. Coldstream Capital Management, Inc., as the General Partner to the Coldstream Alternative Strategies Fund LP has made an investment in the Genesee Funds, as appropriate for the strategy and its investors. Coldstream Capital Management, Inc. may also recommend to clients an investment in the Genesee Funds, if deemed appropriate for their portfolio.

Howard Coleman, the Managing Director/ Portfolio Manager for the Genesee Funds, is a Chief Compliance Officer and Director on the Board of another private equity fund and hedge fund. As a matter of policy, the Genesee funds will not make any investment in these funds.

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

##### **A. Code of Ethics**

The Adviser has adopted a Code of Ethics (the “Code”) that obligates the Adviser and its related persons to put the interests of the Adviser’s client before their own interests and to act honestly and fairly in all respects in dealings with clients. All of the Adviser’s personnel are also required to comply with applicable federal securities laws. The Adviser’s Code contains provisions designed to prevent improper personal trading, identify conflicts of interest and provide a means to resolve any actual or potential conflicts of interest in the client’s favor.

Clients or prospective clients may obtain a copy of the Code by contacting Erika Yelle, Chief Compliance Officer, by e-mail at [Erika@coldstream.com](mailto:Erika@coldstream.com) or by telephone at 425-283-1600.

The Adviser’s Code also contains restrictions on personal investment activities of Genesee personnel, including preclearance of transactions by the Chief Compliance Officer for a private placement or an initial public offering. All related persons must submit to the Compliance Officer a report of their securities transactions no later than 30 days after the end of each calendar quarter. The Code also prohibits accepting gifts greater than \$250 in value from any person or company that does business with Genesee or any Genesee Fund without approval from the CCO.

## **B. Client Transactions in Securities where Adviser has a Material Financial Interest**

Due to limited accessibility of certain Money Managers and/or the illiquid nature of the hedge funds managed by the Money Managers, it is sometimes in the best interest of a client to purchase such portfolio entities from or sell portfolio entities to another client. In any such transaction involving a Genesee Fund, the transaction is subject to a fairness review by an independent non-affiliated director of the applicable Genesee Fund to ensure that no party is prejudiced as a result of the transaction.

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

The Adviser does not select or recommend broker-dealers for client transactions.

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

#### **A. Frequency and Nature of Review.**

Each client account is reviewed by the Investment Committee of the Adviser typically on a monthly basis to determine whether securities positions should be maintained. Matters reviewed include current market conditions, performance, indications that a manager might be deviating from his strategy, portfolio volatility, and compliance with the Adviser's investment guidelines.

#### **B. Factors Prompting a Non-Periodic Review of Accounts.**

In many cases, the Adviser often receives weekly estimates from the Money Managers. If the weekly estimates deviate significantly from how the Adviser believes the Money Manager should have performed in the market conditions of that week, the Adviser will typically follow up with the Money Manager to understand why the perceived deviation occurred. Also, if there is a dislocation in any of the markets in which any of the Money Managers invest, the Adviser will typically contact the Money Manager to see how it was affected by the dislocation.

#### **C. Content and Frequency of Regular Account Reports.**

A client's investors receive reports from the client pursuant to the terms of each client's offering memoranda or as otherwise described in the offering document of the client.

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

### **A. Economic Benefits Received from Non-Clients for Providing Services to Clients.**

The Adviser does not receive economic benefits from non-clients for providing services to clients.

### **B. Compensation to Non-Supervised Persons for Client Referrals**

In the past the Adviser has entered into arrangements in which it agreed to compensate third parties, on terms individually negotiated, for acting as a finder or in a similar capacity in connection with subscriptions into the Genesee Funds. Such compensation may be charged to the subscriber, to a Feeder Fund or paid by the Adviser solely from the Adviser's own funds. Presently, the Advisor only has arrangements for referral compensation to third parties for the separate feeder fund shares classes that access COF.

## **Item 15. Custody**

Not Applicable.

## **Item 16. Investment Discretion**

The Adviser provides investment advisory services on a discretionary basis to the Genesee Funds, which are its clients. It does so pursuant to the funds' offering documents and the applicable investment management agreements and limited partnership agreements. In addition, the Advisor has written investment policies and procedures that contain guidelines on the exercise of that discretion. Item 8a above describes the factors the Advisor considers in making investment decisions.

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

### Policies and Procedures Relating to Authority to Vote Client Securities

The Advisor receives from time to time proxies from the hedge funds in the Genesee Fund's portfolio. In the absence of specific voting guidelines from the client, the Adviser will vote proxies in the best interests of each particular client, which may result in different voting results for proxies of the same issuer. Unless contrary to the best interests of the client, the Adviser will vote in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated) and selection of auditors.

The Adviser will provide a copy of its proxy policy to any investor or prospective investor in the Genesee Funds. To obtain a copy of the proxy policy, you can contact Compliance at the Advisor at 425-283-1600 or at [info@geneseeinv.com](mailto:info@geneseeinv.com)

**Item 18. Balance Sheet**

Not applicable.

**Item 19. State Registered Advisers**

Not applicable.