

# Cadence Capital Management LLC

## Part 2A of Form ADV The Brochure

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This brochure provides information about the qualifications and business practices of Cadence Capital Management LLC (“Cadence”). If you have any questions about the contents of this brochure, please contact us at 617-624-3500. 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 Cadence is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 - Material Changes

The following material changes in Cadence’s Form ADV Part 2A were made since the last annual update in March 2016:

- Item 4 – Advisory Business:
  - Cadence has updated this language to disclose the acquisition of Cadence by Pacific Asset Advisors LLC (“PAAL”);
  - Cadence has consolidated the assets of its two private funds. The small/mid cap private fund has been closed;
  - Cadence added a disclosure regarding its management of separately managed accounts; and
  - Cadence has discontinued its participation in the Managed Accounts Program.
- Item 10 - Other Financial Industry Activities and Affiliations:
  - Cadence has added Swell Investing LLC as an additional financial industry affiliate.
  - One of Cadence’s portfolio managers also serves as a portfolio manager at Swell Investing LLC.

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#### **Item 4 - Advisory Business**

Cadence Capital Management LLC (“Cadence”) is a Boston, Massachusetts-based investment management company, founded in 1988. Effective June 30, 2016, Pacific Asset Advisors LLC (“PAAL”), a wholly owned subsidiary of Pacific Life Insurance Company (“Pacific Life”), acquired 100% of the interests of Cadence. Cadence continues to operate as an independent investment adviser.

Cadence provides investment advisory and supervisory services to institutions, mutual funds, and a private pooled investment vehicle through its office in Boston, Massachusetts. Cadence furnishes "investment supervisory services" to all of its investment advisory clients. The primary elements of such services are the following:

- (a) Working together with the client to formulate appropriate investment objectives and restrictions;
- (b) Application of various stock screening processes that assist in identifying individual stocks from a universe of stocks agreed upon with a client;
- (c) Constructing client portfolios using certain quantitative and qualitative factors by our investment team;
- (d) Implementing the investment strategy by execution of portfolio transactions as needed;
- (e) Monitoring the client’s account for the purpose of reviewing its performance and making sure that the client’s investment strategy is being followed; and
- (f) Furnishing reports to the client concerning account activity, strategy and performance.

#### **Separately Managed Accounts**

Cadence manages domestic equity portfolios for institutional investors using a conservative growth investment philosophy. In addition, Cadence manages domestic and international equity portfolios for institutional investors using rules-based strategies with periodic rebalancing.

#### **Registered Investment Company Accounts**

Cadence serves as a subadviser to registered investment companies:

Cadence serves as a subadviser to three mutual funds of the AMG Managers Funds. All of these funds may be offered with several classes of shares. Some classes are designed for retail investors and some for institutional investors. The three AMG Managers Funds are – AMG Managers Cadence Capital Appreciation Fund, AMG Managers Cadence Mid Cap Fund and AMG Managers Cadence Emerging Companies Fund.

Cadence serves as a Specialist Manager to a portion of each of eight HC Capital Trust mutual funds.

Cadence also serves as a subadviser to a sleeve of one fund in the SunAmerica Specialty Series funds. Cadence manages the Emerging Companies sleeve of the SunAmerica Small-Cap Fund. This fund may be offered with several classes of shares. Some classes are designed for retail investors and some for institutional investors.

### **Private Pooled Investment Vehicle**

Cadence serves as an investment adviser to one private fund, a Delaware limited partnership. A wholly owned subsidiary, Cadence Integrity Partners, LLC, serves as the general partner (“General Partner”). The investment objective of the private fund is to achieve above-market growth in partners’ capital, principally through investment in equity securities in small and mid-capitalization companies while seeking to control risk. The private fund may use leverage in pursuit of additional return and hold short positions as a hedge and source of potential additional return.

Cadence manages the assets of the private fund in accordance with the terms of the governing documents applicable to the private fund. Investment advice is provided directly to the private fund and not individually to the investors in the private fund. Nothing herein constitutes or shall be deemed to constitute an offer to sell or the solicitation of an offer to purchase private fund interests. Such an offer may be made only by means of the private placement memorandum (or other similar documentation) and only to the person to whom such memorandum is actually delivered.

It should be recognized that the portfolio manager of the private fund also provides similar advisory services to Cadence's registered investment company and separately managed accounts. This introduces a potential conflict of interest in fulfilling his responsibilities for both the private fund and Cadence's other accounts.

As of December 31, 2016 Cadence managed approximately \$3,615.4 million on a discretionary basis.

## **Item 5 - Fees and Compensation**

### **Separate Accounts**

The fees charged by Cadence for such services for new separate accounts are a percentage of assets under management. The basic fee schedules are as follows:

#### **Large Cap Growth:**

0.70% - first \$25,000,000  
0.50% - next \$25,000,000  
0.30% - next \$50,000,000  
0.20% - excess over \$100,000,000

#### **Focused Growth:**

0.70% - first \$25,000,000  
0.50% - next \$25,000,000  
0.30% - next \$50,000,000  
0.20% - excess over \$100,000,000

**Mid Cap Growth:**

0.70% - first \$25,000,000

0.50% - next 25,000,000

0.30% - excess over \$50,000,000

**Emerging Companies:**

1.25% - on all assets

Cadence's fees are usually payable quarterly in arrears.

In some cases, fees may be negotiated. In addition, Cadence may enter into performance fee arrangements with clients pursuant to individualized negotiations with the client. Any performance fee arrangements will be in compliance with Rule 205-3 under the Investment Advisers Act of 1940.

Unless otherwise provided in the Investment Management Agreement, a client may terminate Cadence's authority to manage its account at any time by giving notice to Cadence however Cadence's ordinary fees are earned and payable for thirty (30) days following such notice. In addition, Cadence's clients have the right to terminate Cadence's services without penalty within five (5) days of execution of the Investment Management Agreement by giving written notice to Cadence within such five (5) day period. Upon termination, clients are responsible for the payment of the pro rata portion of fees through the termination date. Cadence has the right to terminate an investment advisory contract at the end of any month by giving 30 days prior written notice. Either Cadence or client may terminate such contracts for any reason.

**Fees for Registered Investment Companies**

For the AMG Managers Cadence Capital Appreciation Fund and AMG Managers Cadence Mid Cap Fund, Cadence is paid a fee at an annual rate of 0.35% of the average daily net assets of each fund. For the AMG Managers Cadence Emerging Companies Fund, Cadence is paid a fee at an annual rate of 1.05% of the average daily net assets of each fund.

For the management of the portion of each of eight HC Capital Trust mutual funds, Cadence is paid the following:

- For the domestic mutual funds, Cadence is paid a fee at an annual rate of 0.065% to 0.12% (depending on the specific strategy and asset levels) of the average daily net assets of each fund.
- For the international mutual funds, Cadence is paid a fee at an annual rate of 0.10% to 0.20% (depending on the specific strategy and asset levels) of the average daily net assets of each fund.

Cadence also has subadvisory relationships with some of Hirtle, Callaghan & Co., LLC's separate accounts with very similar investment strategies as the HC Capital Trust mutual funds. For each such account managed by Cadence in the domestic strategy, Cadence is paid a fee at an annual rate of 0.065% on the average of the three month-end values for each calendar quarter, billed in arrears. For each such account managed by Cadence in the international strategies, Cadence is paid a fee at

an annual rate that ranges from 0.10% to 0.20% (depending on the specific strategy) on the average of the three month-end values for each calendar quarter, billed in arrears.

For the management of the Emerging Companies sleeve of the SunAmerica Small-Cap Fund, Cadence is paid at an annual rate of 0.50% of the average daily net assets of the fund.

### **Fees for Investment Advice to the Private Fund**

#### **Management Fee**

Cadence receives a monthly management fee calculated at an annual rate of 1.5% of each paying limited partner's capital account (the "Management Fee"). The Management Fee is paid monthly in arrears, based on the value of each limited partner's capital account, as of the beginning of each month. Management Fees, including the Profit Allocation discussed below, may be modified or waived for affiliated investors.

#### **Profit Allocation**

The General Partner is entitled to receive an amount ranging up to 20% of the net realized and unrealized profits of any fiscal year a limited partner has net profit, subject to a "loss carryforward" provision ("Profit Allocation"). Under a loss carryforward provision, no Profit Allocation will be made from the capital account of the limited partner until any net loss previously allocated to the capital account of the limited partner has been offset by subsequent net profits. All compensation arrangements where the General Partner receives a fee based on a share of capital gains or capital appreciation will comply with the requirements of Rule 205-3 under the Investment Advisers Act of 1940, as amended (the "Advisers Act").

#### **Other Fees**

In addition to Cadence's fees, limited partners bear indirectly the fees and expenses charged to the private fund. Those fees vary, but typically include but are not limited to: legal/compliance; audit and accounting fees; and administrative fees and custodial and transaction costs paid to custodians, brokers and other third parties. Investors should review all fees charged by Cadence, custodians and brokers and other third parties to fully understand the total amount of fees to be paid by the private fund.

Investors should refer to the private fund's offering memoranda, subscription documents and other offering documents for additional or supplementary information regarding the private fund as well as the fees paid by the private fund.

#### **Withdrawals**

Subject to the "lock-up" provisions of the subscription agreement, a limited partner may, upon giving 30 days written notice (although shorter notice will be permitted if the fund's liquidity permits), withdraw all or any part of his capital account as of the last business day of each month. In the case of a withdrawal of 90% or more of a partner's capital account from the Partnership, at least 90% of the estimated value of the limited partner's capital account will be paid within 15 days after the retirement date, and the balance, if any, promptly after the independent public accountants have completed their examination of the Partnership's financial statements.

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

As stated in the Fees and Compensation section above, Cadence may charge performance-based fees which are fees based on a share of capital gains on or capital appreciation of the client's assets.

The fact that Cadence is compensated based on the trading profits may create an incentive for Cadence to make investments on behalf of clients that are riskier or more speculative than would be the case in the absence of such compensation. In addition, the performance-based fee received by Cadence is based primarily on realized and unrealized gains and losses. As a result, the performance-based fee earned could be based on unrealized gains that clients may never realize.

## **Item 7 - Types of Clients**

Cadence provides investment advisory and supervisory services to institutions, mutual funds, foundations and endowments, and a private pooled investment vehicle.

For new accounts Cadence generally requires a minimum account size of \$1 million for the growth strategies (described in Item 8) and \$10 million for the global beta strategies (described in Item 8).

With respect to the private pooled investment vehicle, a private fund, the details concerning applicable investor suitability criteria are set forth in the fund's offering documents and subscription material. Although the General Partner has the authority to accept subscriptions for lesser amounts, the minimum investment in the private fund is \$500,000. Each investor is required to meet certain suitability qualifications, such as being an "accredited investor" under Rule 501 of Regulation D of the Securities Act of 1933, as amended.

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

Client portfolios are constructed using a combination of a stock's rank using certain quantitative factors and a qualitative analysis by our investment team. A specific sell discipline is in place.

### **Large Cap Growth Strategy/AMG Managers Cadence Capital Appreciation Fund**

The Large Cap Growth strategy/AMG Managers Cadence Capital Appreciation Fund seeks growth of capital. To achieve this objective, the fund invests primarily in common stocks of companies that have improving fundamentals and whose stock is reasonably valued by the market. The stocks will be chosen primarily from companies within the Russell 1000 Index.

### **Focused Growth Strategy**

The Focused Growth strategy seeks long term growth of capital. To achieve this objective, the strategy invests primarily in common stocks of companies with improving fundamentals and whose stock is reasonably valued by the market. Stocks for the strategy are selected primarily from companies within the Russell 1000 Growth Index.

### **Mid Cap Growth Strategy/AMG Managers Cadence Mid Cap Fund**

The Mid Cap Growth strategy/AMG Managers Cadence Mid Cap Fund seeks growth of capital. To achieve this objective, the fund invests primarily in common stocks of middle capitalization

companies that have improving fundamentals and whose stock is reasonably valued by the market. Stocks for the fund are selected primarily from companies within the Russell Midcap Index.

### **Emerging Companies Strategy/ AMG Managers Cadence Emerging Companies Fund**

The Emerging Companies strategy/AMG Managers Cadence Emerging Companies Fund seeks long-term growth of capital. To achieve this objective, the fund invests primarily in common stocks of companies that have improving fundamentals and whose stock is reasonably valued by the market. Stocks for the fund are selected primarily from companies within the Russell 2000 Index and Russell Microcap Index.

### **Global Beta Strategies**

For the Global Beta strategies, Cadence uses a “rules-based” investment approach designed to approximate as closely as practicable, before expenses, the performance of one or more different segments of the benchmark index. Cadence has developed a model of each Global Beta offering, however not all models have been funded. Of those strategies that have been funded, Cadence has subadvisory relationships with Hirtle, Callaghan & Co., LLC, which include their separately managed accounts and/or a portion(s) of eight of their HC Capital Trust Mutual Funds.

#### Global Beta Strategies:

U.S. Value

U.S. Dividend Yield

U.S. Momentum

U.S. Quality

International Value

International Dividend Yield

International Momentum

International Quality

Emerging Markets Value

Emerging Markets Dividend Yield

Emerging Markets Momentum

Emerging Markets Quality

### **The Private Fund**

With respect to the private fund, the portfolio manager will generally use a fundamental, research intensive approach seeking to exploit valuation anomalies by identifying stocks that are underpriced or overpriced. The core of this strategy is analyzing three key principles for selecting securities: managements that can execute their stated business goals, exhibit strong consistent earnings growth, and trade at an attractive underlying valuation.

The private fund expects to invest in companies in a variety of industries; however, a significant portion of the fund’s assets may be invested in higher growth industries such as technology, healthcare/biotech and consumer. The private fund will generally invest in companies having market capitalizations from \$100 million to \$10 billion. The private fund does not have strict fixed guidelines for diversification and may concentrate investments in specific industries or companies if the portfolio manager believes that such concentration will offer better opportunity for risk-adjusted capital appreciation.



Acquiring interest in the private fund involves a number of risks. An investment in the private fund may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of an investment in the private fund. No guarantee or representation is made that the private fund will achieve its investment objective or that limited partners will receive a return of their capital.

All investing involves a risk of loss and the investment strategy offered by Cadence could lose money over short or even long periods. The description contained below is a brief overview of different market risks related to the portfolio manager's investment strategy:

**General Business and Management Risk** - Investments in securities subject the investor to the general risks associated with the underlying businesses, including market conditions, changes in regulatory requirements, reliance on management at the company level, interest rate and currency fluctuations, general economic downturns, domestic and foreign political situations and other factors. With respect to management at the company level, many companies rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect the company's performance.

**Focus on Small and Mid-Capitalization Companies** - The stocks of companies followed by the portfolio manager can be more volatile than larger capitalization companies and more susceptible to general market changes. The private fund's investment program entails substantial risks and because of its emphasis on a particular type of investment is not a suitable vehicle for an overall investment program.

In addition to the risks described above, the description contained below is a brief overview of the risks related to the portfolio manager's investment strategy for the private fund:

**Use of Leverage** - the use of leverage, the act of borrowing capital to make investments, exposes the investor to additional levels of risks, including (i) greater losses from investments than otherwise would have been the case, (ii) margin calls that could force the investor to liquidate investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the cost of borrowing the capital in the first place. Also, should there be a sharp decline in the value of investments held by the investor, the portfolio manager may not be able to liquidate the investments quickly enough further increasing its losses.

**Short Sales** - short selling, or the sale of securities not owned by the investor, involves certain additional risks. Such transactions expose the investor to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the investor would need to be returned to the lender on short notice. Such a request could require the portfolio manager to purchase the securities in the open market at prices that are significantly higher than the proceeds from the initial sale of the securities.

**Portfolio Turnover** – The portfolio manager’s investment strategy may require the private fund to actively trade the investments held by the investor resulting in turnover and increased brokerage commission expenses to the investor.

#### **Item 9 - Disciplinary Information**

Cadence and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client’s evaluation of the company or its personnel.

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

Cadence is under common control with PAAL. PAAL is a wholly owned subsidiary of Pacific Life, which is a wholly owned subsidiary of Pacific Mutual Holding Company (“PMCH”), a privately held company owned by its Pacific Life shareholders. Other wholly owned subsidiaries of PMCH are engaged in investment advisory services. Cadence does not currently recommend or select other investment advisers for client accounts, nor do we receive direct or indirect compensation for recommending or selecting other investment advisers.

Cadence has various financial industry affiliations that may be significant to its clients.

Swell Investing LLC, a registered investment adviser and a wholly-owned subsidiary of Pacific Life, offers the Swell Investment Management Program, an automated portfolio management platform for the socially-minded individual that desires to invest in companies that are cause-driven. One of Cadence’s portfolio managers is also a portfolio manager at Swell. Swell has contracted with Cadence to perform services for Swell in connection with its management of Swell portfolios. It should be recognized that the shared activities of these employees creates a potential conflict of interest in fulfilling responsibilities for client accounts of both Swell and Cadence. To mitigate this potential conflict of interest, Swell and Cadence have implemented trading policies and procedures for their rebalancing and other trading activities.

Pacific Life Fund Advisors LLC, which also does business under the name of Pacific Asset Management, a registered investment adviser and a wholly-owned subsidiary of Pacific Life, is the investment adviser to and is compensated for various services provided to registered U.S. and non-U.S. funds, privately placed pooled investment vehicles, as well as separate accounts.

Pacific Private Fund Advisors LLC, a registered investment adviser and a wholly-owned subsidiary of Pacific Life, is the investment adviser to and is compensated for various services provided on a discretionary basis to hedge fund-of-funds and private equity fund-of-funds products as well as to a private commodity pool.

Pacific Select Distributors, LLC, a limited purpose broker-dealer which is a wholly- owned subsidiary of Pacific Life, serves as distributor of registered funds and variable products offered by Pacific Life and its affiliates.

Cadence employees, in certain circumstances consistent with clients’ objectives, may recommend to investment advisory clients or prospective clients the purchase of shares in funds or other investment companies or pooled investment vehicles that Pacific Select Distributors distributes or

underwrites. These investment companies or pooled investment vehicles may pay investment management or administrative fees to Pacific Life Fund Advisors LLC, Pacific Life or affiliates of Pacific Life, or may pay sales commissions or distribution fees to Pacific Select Distributors, Pacific Life or affiliates of Pacific Life, including 12b-1 fees, loads, or contingent deferred sales charges.

Cadence does not use affiliated broker-dealers to execute transactions for clients; however PAAL, on behalf of its subsidiaries and affiliates, has entered into a services agreement with an unaffiliated broker-dealer for the purpose of, among other things, marketing and introducing new investors for certain of the private funds. The third party broker-dealer is compensated by PAAL or its subsidiaries or affiliates through a fee-sharing arrangement from fees generated by investors introduced to a PAAL subsidiary or affiliate by the registered representatives. Several employees of Pacific Life and its affiliates are registered representatives of this third party broker-dealer which enables them to, in appropriate circumstances, among other things, market certain private funds. These employees may receive commissions or other compensation from the unaffiliated broker-dealer in connection with introducing new investors to a private fund. As of the date of this Brochure, no private fund investors have been introduced to Cadence by registered representatives of the unaffiliated broker-dealer and none of the registered representatives of the unaffiliated broker-dealer are actively engaged in soliciting investors to Cadence's private fund. Cadence may, however, seek the marketing assistance of the unaffiliated solicitors in the future.

Cadence serves as investment adviser to a private fund. Certain personnel of Cadence act as officers, directors or authorized persons of the private fund and/or the general partner of the private fund. The investment management agreements were not negotiated at an arm's length.

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

Cadence employees and persons associated with Cadence are required to follow the Cadence Capital Management LLC Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Cadence and its affiliates may trade for their own accounts in securities that are recommended to and/or purchased for Cadence clients. The Code of Ethics is designed to ensure that the personal securities transactions, activities and interests of the employees of Cadence will not interfere with (i) making decisions in the best interest of advisory clients or (ii) implementing such decisions while, at the same time, allow employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt securities and certain classes of transactions have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of Cadence clients. In some circumstances, whereby an employee is permitted to invest in the same securities as clients, there is a possibility that employees may benefit from market activity within a client account. Employee trading is continually monitored for adherence to the Code of Ethics in order to ensure employees comply with its provisions and to ensure that the Code of Ethics reasonably prevents conflicts of interest between Cadence and its clients. Cadence will provide a copy of its Code of Ethics to any client or prospective client upon request.

Cadence may be subject to restrictions based upon the type of account. For instance, accounts that are subject to the provisions of ERISA have numerous restrictions with respect to the securities that may be purchased and whom they may be purchased through.

## **Item 12 - Brokerage Practices**

### **Discretionary Authority**

Cadence usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

The private fund is also subject to investment policies, limitations and restrictions that must be observed when selecting securities and determining amounts. For its mutual fund clients, Cadence's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investment and favor the holding of investments once made.

In the absence of any mandated client direction to utilize a particular broker-dealer for the execution of transactions in any client accounts, Cadence's overriding objective in effecting portfolio transactions is to obtain the best combination of price and execution. Cadence seeks to effect each transaction at a price and commission that provides the most favorable total cost or proceeds reasonably attainable under the circumstances. Cadence may cause its clients to pay a broker-dealer that provides brokerage and research services, eligible under the "safe harbor" provided by Section 28(e) of the Securities Exchange Act of 1934, to Cadence, a higher commission rate than another broker-dealer would have charged for effecting that transaction. Cadence may use brokerage commissions (i.e., soft dollars) to pay for research and brokerage products and services where the cost needs to be allocated between eligible and ineligible uses (i.e., mixed use items) per Section 28(e) of the Securities Exchange Act of 1934. Cadence will allocate the cost of any mixed use products or services between hard and soft dollars in good faith. However, Cadence faces a conflict of interest when allocating these costs between hard and soft dollars. Cadence may consider various factors when selecting a broker-dealer, including, but not limited to, the nature of the portfolio transaction, the size of the transaction, the execution quality of the broker-dealer, clearing and settlement capabilities of the broker-dealer, the desired timing of the transactions, confidentiality provided by the broker-dealer, and the availability and quality of eligible research and brokerage services provided through such broker-dealer. Such research services may include, but are not limited to, written reports, phone communications, economic and market data, credit analyses, news services, electronic information, analytic software, analyst earnings revisions, etc., and may contain information concerning securities markets, the economy, individual companies' pricing information and services, performance studies and other information providing assistance in the performance of Cadence's investment decision-making responsibilities.

Although it is not possible to assign an exact dollar value to some of these services, they may, if and to the extent used, tend to reduce the expenses of Cadence. The fees paid to Cadence are not reduced because it receives such services. Research services furnished by broker-dealers with whom Cadence and its affiliates effect transactions may be beneficial to certain of the accounts advised by Cadence. It is recognized that a particular account may be charged a commission paid

to a firm who supplied research services not utilized by such account. However, Cadence expects that each account will be benefited overall by such practice because each is receiving the benefit of research services and the execution of such transactions not otherwise available to it without the allocation of transactions based upon the recognition of the value to such research services. On a routine basis, Cadence assesses its commission policies, rates and allocations. This review also considers the contributions and value of research services received from broker-dealers.

To the extent a client requests to participate in directed brokerage, or commission recapture programs, they are accommodated on a best efforts basis, subject to our obligation to achieve best execution. In practice, to satisfy directed brokerage requests on block trades, Cadence will aggregate directed and non-directed accounts on the trade and send the entire order to its broker-dealer of choice for execution. Cadence will then request that the executing broker-dealer "step out," or give up, the commission and all the clearing and settlement functions on the client-directed account to the client's recapture broker-dealer. For program trades, where an entire portfolio of securities are traded simultaneously, Cadence may trade directly with recapture broker-dealers as long as those broker-dealers maintain the appropriate connectivity to Cadence's trading desk, have the execution capabilities to trade the program in accordance with our instructions and offer a competitive commission rate.

To the extent a client mandates direct brokerage to certain broker-dealers, this creates a situation where directed and non-directed accounts cannot be aggregated on a trade. In such cases, Cadence will place orders for directed accounts after orders for non-directed accounts have been executed or on a rotational trading basis if appropriate. Clients mandating directed brokerage should consider: (i) Cadence will be unable to pursue its obligation to achieve best-execution where it has no discretion over choice of the broker-dealer; (ii) the client may pay higher commissions on some transactions than might be attainable by Cadence; (iii) the client may receive less favorable execution prices on transactions; (iv) the client may restrict Cadence from receiving research products and services available from other brokers; and (v) the client may not generate returns equal to clients which do not mandate directed brokerage.

Cadence may aggregate purchase and sales orders of securities held in a client's account with similar orders being made simultaneously for other accounts managed by Cadence if in Cadence's reasonable judgment, such aggregation shall result in an overall economic benefit to client's account taking into consideration the advantageous purchase or selling price, brokerage commission and other expenses.

### **Trade Allocations**

Cadence's trade allocation policy is designed to ensure fair and equitable allocation of investment opportunities among accounts over time. Accounts are to be treated in a non-preferential manner, such that allocations are not based upon account performance, fee structure or portfolio manager preference.

Cadence's trading desk will prioritize incoming orders of similar purchases and sales of securities for its client accounts. Transactions for client accounts may be independent of one another or when possible, client orders for the same security are combined or "batched" to facilitate best execution and to reduce brokerage commissions or other costs. Cadence effects batched

transactions in a manner designed to ensure that no participating client is favored over any other client. Specifically, each client that participates in a batched transaction will participate at the average share price for all of the transactions in that batched order. Securities that are purchased or sold in a batched transaction are allocated on a pro-rata basis, when possible, to the participating client accounts in proportion to the size of the order placed for each account.

The private fund may purchase equity securities that are part of an initial public offering (sometimes referred to as "IPOs" or "new issues"). While all of Cadence's accounts may generate access to IPOs, clients will not participate in IPOs if regular participation in IPOs is not consistent with the strategy being used to manage the client's account. Clients in the Large Cap Growth, Focused Growth, Mid Cap Growth and Emerging Companies strategies will not, in general, participate in IPOs as such investments are not consistent with the investment strategy used to manage the accounts.

Under the Rules of the Financial Industry Regulatory Authority, as may be amended from time to time (the "Rules"), brokers may not sell such securities to a private investment fund, if the fund has investors who are "Restricted Persons," which category includes persons employed by or affiliated with a broker and portfolio managers of hedge funds and other registered and unregistered investment advisory firms, unless the fund has a mechanism in place that excludes such Restricted Persons from receiving allocations of profits from new issues. The profits and losses with respect to new issues will generally be allocated to investors in the private fund that are Unrestricted Persons. The private fund may, however, avail itself of a "de minimis" exemption pursuant to which a portion of any new issue profits and losses may be allocated to Restricted Persons.

### **Item 13 – Review of Accounts**

Cadence's Operations Department ("Operations") reconciles Clients' custodial records against Cadence's portfolio accounting system on a daily basis, using the Advent Custodial Data process automation software and a proprietary matching engine. Operations staff will work with Clients' custodians to resolve any discrepancies and will promptly notify the Director of Operations of any material unresolved discrepancies. Operations staff and the Director of Operations will notify the CCO promptly of any material discrepancy that cannot be resolved appropriately and in a timely manner.

Unless a client declines, Cadence furnishes clients with a quarterly summary as well as reports concerning the client's investment advisory accounts. Such reports consist of detailed inventory of all holdings and a performance summary. Additionally, monthly and/or quarterly reports are provided at a client's request. These reports may include: portfolio appraisal reports, performance reports, transaction reports and broker commission reports.

Limited partners in the private fund will receive a monthly account statement directly from the Administrator. In addition, limited partners will be provided with a summary of the operations of the private fund after the end of each fiscal quarter. The books and records of the private fund will be audited after the end of each fiscal year by a certified public accounting firm that is registered with and subject to inspection by the Public Company Accounting Oversight Board. The private fund's limited partners will be furnished with audited financial statements, including a statement

of profit or loss for such fiscal year and of the status of such partners' capital accounts at such time, within 120 days following the private fund's fiscal year end.

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

Cadence does not receive any economic benefits from outside parties for providing investment advice or other advisory services to our clients. Currently, Cadence does not compensate any outside parties for client referrals.

#### **Item 15 - Custody**

All separately managed client accounts are held in custody by unaffiliated broker-dealers or banks, and Cadence does not have the ability to deduct fees from said accounts; therefore Cadence does not have custody of its separately managed accounts. Cadence Integrity Partners, LLC, an affiliate of Cadence Capital Management LLC, acts as the General Partner for the private fund. The assets of the private fund are held in custody by a “qualified custodian.” Cadence and/or Cadence Integrity Partners are deemed to have custody of the private fund and securities because Cadence or Cadence Integrity Partners, LLC serves as both adviser and general partner to the private fund, and may directly access the private fund's capital accounts. Cadence will comply with the requirements of the Custody Rule.

#### **Item 16 - Investment Discretion**

##### **Discretionary Authority**

Cadence usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

#### **Item 17 - Voting Client Securities**

##### **Description of Proxy Voting Policy and Procedures**

Cadence typically votes proxies as part of its discretionary authority to manage accounts, unless the client has explicitly reserved the authority for itself. When voting proxies, Cadence's primary objective is to make voting decisions solely in the best economic interests of its clients. Cadence will act in a manner that it deems prudent and diligent and which is intended to enhance the economic value of the underlying portfolio securities held in its clients' accounts.

Cadence has adopted the written Proxy Voting Policies and Procedures (the “Proxy Guidelines”) of its proxy voting service, ISS (the “Proxy Voting Agent”). The Proxy Guidelines are reasonably designed to ensure that Cadence is voting in the best interest of its clients. The Proxy Guidelines reflect Cadence's general voting positions on specific corporate governance issues and corporate actions. Some issues may require a case by case analysis prior to voting and may result in a vote being cast that will deviate from the Proxy Guideline. Upon receipt of a client's request, Cadence may also vote proxies for that client's account in a particular manner that may differ from the Proxy Guideline. Deviation from the Proxy Guidelines will be documented and maintained in accordance with Rule 204-2 under the Investment Advisers Act of 1940.

In accordance with Cadence's Proxy Voting Policy and Procedures, Cadence may review additional criteria associated with voting proxies and evaluate the expected benefit to its clients when making an overall determination on how or whether to vote the proxy. Cadence may vote proxies individually for an account or aggregate and record votes across a group of accounts, strategy or product. In addition, Cadence may refrain from voting a proxy on behalf of its clients' accounts due to de-minimis holdings, impact on the portfolio, items relating to foreign issuers, timing issues related to the opening/closing of accounts, contractual arrangements with clients and/or their authorized delegate, failures by a client's custodian to forward proxies in a timely manner and inability to vote proxies due to securities lending arrangements. For example, Cadence may refrain from voting a proxy of a foreign issuer due to logistical considerations that may have a detrimental effect on Cadence's ability to vote the proxy. These issues may include, but are not limited to: (i) proxy statements and ballots being written in a foreign language, (ii) untimely notice of a shareholder meeting, (iii) requirements to vote proxies in person, (iv) restrictions on foreigner's ability to exercise votes, (v) restrictions on the sale of securities for a period of time in proximity to the shareholder meeting, or (vi) requirements to provide local agents with power of attorney to facilitate the voting instructions. Such proxies are voted on a best-efforts basis.

To assist in the proxy voting process, Cadence has retained an independent third party service provider to assist in providing research, analysis and voting recommendations on corporate governance issues and corporate actions as well as assist in the administrative process.

The services provided offer a variety of proxy-related services to assist in Cadence's handling of proxy voting responsibilities.

### **Conflicts of Interest**

Cadence may have conflicts of interest that can affect how it votes its clients' proxies. For example, Cadence or an affiliate may manage a pension plan whose management is sponsoring a proxy proposal. The Proxy Guidelines are designed to prevent material conflicts of interest from affecting the manner in which Cadence votes its clients' proxies. In order to ensure that all material conflicts of interest are addressed appropriately while carrying out its obligation to vote proxies, Cadence's Chief Compliance Officer is responsible for addressing how Cadence resolves such material conflicts of interest with its clients.

To obtain a copy of the Policy Guidelines or to obtain information on how your account's securities were voted, please contact your account representative.

### **Class Action Claims**

Except for the private fund, Cadence does not participate in class action activities on behalf of its clients. For the private fund, Cadence has retained an independent third party service provider to assist in providing research, data management and claims filing.

### **Item 18 - Financial Information**

Cadence has never filed for bankruptcy and is not aware of any financial condition of Cadence which would reasonably be likely to affect its ability to manage its client accounts.



## **Privacy Policy**

Cadence considers customer privacy to be a fundamental aspect of its relationship with clients. Cadence is committed to maintaining the confidentiality, integrity, and security of its current, prospective and former clients' personal information. Cadence has developed policies designed to protect this confidentiality, while allowing client needs to be served.

In the course of providing clients with products and services, Cadence may obtain non-public personal information about the client. This information may come from sources such as account applications and other forms, from other written, electronic or verbal correspondence, from its clients' transactions, from its clients' brokerage or financial advisory firm, financial adviser or consultant, and/or from information captured on our internet web sites.

Cadence does not disclose any personal or account information provided by the client or gathered by it to non-affiliated third parties, except as required or permitted by law or as otherwise described in this Form ADV. As is common in the industry, non-affiliated companies may from time to time be used to provide certain services, such as preparing and mailing prospectuses, reports, account statements and other information, conducting research on client satisfaction, conducting performance analyses and gathering and voting shareholder proxies. Cadence may also retain non-affiliated companies to market our products and enter in joint marketing agreements with other companies. These companies may have access to clients' personal and account information, but are permitted to use the information solely to provide the specific service or as otherwise permitted by law. Cadence may also provide its clients' personal and account information to the clients' brokerage or financial advisory firm and/or financial adviser or consultant.

Cadence reserves the right to disclose or report personal information to non-affiliated third parties in limited circumstances where it believes in good faith that disclosure is required under law, to cooperate with regulators or law enforcement authorities, to protect our rights or property, or upon reasonable request by any mutual fund in which the client has chosen to invest. In addition, Cadence may disclose information about the client or its accounts to a non-affiliated third party at the client's request or with the client's consent.

# **Cadence Capital Management LLC**

## **Form ADV Part 2B The Brochure Supplement**

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Boston, MA 02110  
[www.cadencecapital.com](http://www.cadencecapital.com)

Updated: April 2017

This brochure supplement provides information about - Joseph L. Cargile, Stephen C. Demirjian, J. Paul Dokas, Robert L. Fitzpatrick, Robert E. Ginsberg, Austin M. Kairnes III and Michael J. Skillman. It supplements Cadence's accompanying Brochure. Please contact Cadence's Chief Compliance Officer at 617-624-3500 if you have any questions about the brochure or this brochure supplement.

## **Joseph L. Cargile**

### Educational Background and Business Experience

Year of Birth: 1970

Education: University of Massachusetts (B.A. Business Administration 1993).

Business Background: Head Trader (01/2014 – Present), Trader (05/1997-12/2013), Cadence Capital Management LLC.

### Disciplinary Information

Mr. Cargile has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Cargile or of Cadence.

### Other Business Activities

Mr. Cargile is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of Cadence.

### Additional Compensation

Mr. Cargile does not receive economic benefits from any person or entity other than Cadence in connection with the provision of investment advice to clients.

### Supervision

Mr. Cargile's portfolio management activities are overseen by Mr. Michael J. Skillman, CEO. Mr. Skillman can be reached by calling 617-624-3500.

## **Stephen C. Demirjian**

### Education and Business Background

Year of Birth: 1961

Education: Tufts University (B.A. in Economics, 1983), Babson College (M.B.A., 1991).

Business Background: Managing Director (10/2014-Present), Portfolio Manager (01/2012-Present), Cadence Capital Management LLC; Portfolio Manager (11/2010-Present), Cadence Integrity Partners LLC; Senior Vice President (09/2009 to 11/2010), Columbia Management; Founder and Chief Executive Officer (08/1999 to 09/2009), Integrity Capital Management.

### Disciplinary Information

Mr. Demirjian has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Demirjian or of Cadence.

### Other Business Activities

Mr. Demirjian is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of Cadence.

### Additional Compensation

Mr. Demirjian does not receive economic benefits from any person or entity other than Cadence in connection with the provision of investment advice to clients.

### Supervision

Mr. Demirjian's portfolio management activities are overseen by Mr. Michael J. Skillman, CEO. Mr. Skillman can be reached by calling 617-624-3500.

## **J. Paul Dokas**

### Education and Business Background

Year of Birth: 1959

Education: Loyola College (B.B.A. in Business, 1984), University of Maryland (M.B.A., 1985), Chartered Financial Analyst (CFA), 1987.

Business Background: Managing Director (10/2014–Present), Portfolio Manager (08/2013–Present), Cadence Capital Management LLC; Director, Investments (05/2007–05/2013), Hirtle Callaghan

### Disciplinary Information

Mr. Dokas has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Dokas or of Cadence.

### Other Business Activities

Mr. Dokas is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of Cadence.

### Additional Compensation

Mr. Dokas does not receive economic benefits from any person or entity other than Cadence in connection with the provision of investment advice to clients.

### Supervision

Mr. Dokas' portfolio management activities are overseen by Mr. Michael J. Skillman, CEO. Mr. Skillman can be reached by calling 617-624-3500.

### **Chartered Financial Analyst (CFA)**

The Chartered Financial Analyst (CFA) designation is an international professional certification offered by the CFA Institute (formerly AIMR) to financial analysts who complete a series of three examinations. To become a CFA charterholder, candidates must pass each of three six-hour exams, possess a bachelor's degree from an accredited institution (or have equivalent education or work experience) and have 48 months of qualified, professional work experience. The CFA curriculum includes these topic areas: Ethical and Professional Standards; Quantitative Methods (such as the time value of money, and statistical inference); Economics; Financial Reporting and Analysis; Corporate Finance; Analysis of Investments (stocks, bonds, derivatives, venture capital, real estate, etc.); Portfolio Management and Analysis (asset allocation, portfolio risk, performance measurement, etc.) CFA charterholders are also obligated to adhere to a strict Code of Ethics and Standards governing their professional conduct.

## **Robert L. Fitzpatrick**

### Educational Background and Business Experience

Year of Birth: 1966

Education: Dartmouth College, (B.A. in Psychology/Government, 1988); The Wharton School, (M.B.A. in Finance, 1993), Chartered Financial Analyst (CFA), 2000.

Business Background: Managing Director (01/2006 to Present), Portfolio Manager (01/2004 to Present), Cadence Capital Management LLC.

### Disciplinary Information

Mr. Fitzpatrick has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Fitzpatrick or of Cadence.

### Other Business Activities

Mr. Fitzpatrick is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of Cadence.

### Additional Compensation

Mr. Fitzpatrick does not receive economic benefits from any person or entity other than Cadence in connection with the provision of investment advice to clients.

### Supervision

Mr. Fitzpatrick's portfolio management activities are overseen by Mr. Michael J. Skillman, CEO. Mr. Skillman can be reached by calling 617-624-3500.

### **Chartered Financial Analyst (CFA)**

The Chartered Financial Analyst (CFA) designation is an international professional certification offered by the CFA Institute (formerly AIMR) to financial analysts who complete a series of three examinations. To become a CFA charterholder, candidates must pass each of three six-hour exams, possess a bachelor's degree from an accredited institution (or have equivalent education or work experience) and have 48 months of qualified, professional work experience. The CFA curriculum includes these topic areas: Ethical and Professional Standards; Quantitative Methods (such as the time value of money, and statistical inference); Economics; Financial Reporting and Analysis; Corporate Finance; Analysis of Investments (stocks, bonds, derivatives, venture capital, real estate, etc.); Portfolio Management and Analysis (asset allocation, portfolio risk, performance measurement, etc.) CFA charterholders are also obligated to adhere to a strict Code of Ethics and Standards governing their professional conduct.

## **Robert E. Ginsberg**

### Educational Background and Business Experience

Year of Birth: 1973

Education: The Wharton School (B.S. in Economics, 1995, M.B.A. in Business Administration, 2003), Chartered Financial Analyst (CFA) 2000.

Business Background: Managing Director (10/2014-Present), Portfolio Manager (08/2011 to Present), Cadence Capital Management LLC; Senior Analyst/Portfolio Manager (09/2008-08/2011), Invesco.

### Disciplinary Information

Mr. Ginsberg has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Ginsberg or of Cadence.

### Other Business Activities

Mr. Ginsberg is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of Cadence.

### Additional Compensation

Mr. Ginsberg does not receive economic benefits from any person or entity other than Cadence in connection with the provision of investment advice to clients.

### Supervision

Mr. Ginsberg's portfolio management activities are overseen by Mr. Michael J. Skillman, CEO. Mr. Skillman can be reached by calling 617-624-3500.

### **Chartered Financial Analyst (CFA)**

The Chartered Financial Analyst (CFA) designation is an international professional certification offered by the CFA Institute (formerly AIMR) to financial analysts who complete a series of three examinations. To become a CFA charterholder, candidates must pass each of three six-hour exams, possess a bachelor's degree from an accredited institution (or have equivalent education or work experience) and have 48 months of qualified, professional work experience. The CFA curriculum includes these topic areas: Ethical and Professional Standards; Quantitative Methods (such as the time value of money, and statistical inference); Economics; Financial Reporting and Analysis; Corporate Finance; Analysis of Investments (stocks, bonds, derivatives, venture capital, real estate, etc.); Portfolio Management and Analysis (asset allocation, portfolio risk, performance measurement, etc.) CFA charterholders are also obligated to adhere to a strict Code of Ethics and Standards governing their professional conduct.

## **Austin M. Kairnes III**

### Educational Background and Business Experience

Year of Birth: 1970

Education: Boston College, (B.A. in Economics / English, 1992); Duke University, The Fuqua School of Business (M.B.A. 2000).

Business Background: Portfolio Manager (12/2016-Present), Cadence Capital Management LLC; Portfolio Manager (04/2008-12/2016), QS Investors/Batterymarch Financial Management.

### Disciplinary Information

Mr. Kairnes has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Kairnes or of Cadence.

### Other Business Activities

Mr. Kairnes is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of Cadence.

### Additional Compensation

Mr. Kairnes does not receive economic benefits from any person or entity other than Cadence in connection with the provision of investment advice to clients.

### Supervision

Mr. Kairnes' portfolio management activities are overseen by Mr. Michael J. Skillman, CEO. Mr. Skillman can be reached by calling 617-624-3500.



## **Michael J. Skillman**

### Educational Background and Business Experience

Year of Birth: 1963

Education: California State University, Chico (B.S. Business Administration 1986).

Business Background: Chief Executive Officer (01/2004-Present), Managing Director (01/1999 to Present), Cadence Capital Management LLC.

### Disciplinary Information

Mr. Skillman has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Skillman or of Cadence.

### Other Business Activities

Mr. Skillman is also a portfolio manager at Swell Investing LLC. Mr. Skillman does not receive compensation from Swell or from any business activity outside of Cadence.

### Additional Compensation

Mr. Skillman does not receive economic benefits from any person or entity other than Cadence in connection with the provision of investment advice to clients.

### Supervision

Mr. Skillman's portfolio management activities are overseen by the Pacific Asset Advisors LLC Oversight Committee. The Committee can be reached by calling 800-800-7646.