

## COVER PAGE

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PART 2A OF FORM ADV: FIRM BROCHURE

MARCH 31, 2017

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*This brochure provides information about the qualifications and business practices of Georgina Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at 310-395-2679 or [roblipp@gam-llc.com](mailto:roblipp@gam-llc.com). 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 Georgina Asset Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*Georgina Asset Management, LLC is registered as an investment adviser with the SEC however, registration with the SEC or with any state securities authority does not imply a certain level of skill or training and no inference to the contrary should be made.*

## ITEM 2: MATERIAL CHANGES

Since the last annual update to Georgina Asset Management, LLC's Form ADV brochure as filed with the SEC on March 30, 2016, the following material changes have been made to the information provided in this brochure. Georgina Asset Management, LLC reviews and updates the brochure at least annually to ensure that it remains current.

Pursuant to SEC Rules, GAM will ensure that clients receive a summary of any material changes to this Brochure within 120 days of the close of GAM's fiscal year, along with a copy of this Brochure or an offer to provide the Brochure. Additionally, as GAM experiences material changes in the future, we will send you a summary of our "Material Changes" under separate cover. For more information about the firm, please contact *robliipp@gam-llc.com*.

Additional information about GAM and its investment adviser representatives is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 4: ADVISORY BUSINESS

### **E. Assets Under Management.**

As of December 31, 2016 we managed \$104,034,683 on a discretionary basis and \$129,346,506 on a non-discretionary basis.

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## ITEM 4: ADVISORY BUSINESS

### A. General Description of Advisory Firm.

Georgina Asset Management, LLC (“GAM,” “we,” or “us”) is a limited liability corporation headquartered in Santa Monica, California. GAM was founded in March 2000 and is registered as an investment adviser with the Securities and Exchange Commission (“SEC”). GAM’s Managing Principal is Robert Lipp. GAM is owned by Robert and Diane Lipp.

### B. Description of Advisory Services.

GAM's primary business activity is managing a client's investment portfolio on a discretionary or non-discretionary basis. Discretionary portfolio management means that GAM can select or terminate money managers or buy and sell securities on your behalf for your portfolio without contacting you before each transaction. Non-discretionary investment management requires that we contact you to obtain your authorization prior to selecting or terminating a money manager or buying and selling securities for your portfolio before each transaction. Whether your portfolio is discretionary or non-discretionary, all investment decisions are managed according to a mutually agreed upon written investment policy. For more detailed information on GAM's investment approach, please see *Item 8: Methods of Analysis, Investment Strategies and Risk of Loss* below.

### C. Availability of Customized Services for Individual Clients.

GAM tailors our investment advice and portfolio management to each client's unique financial needs, time horizon, tolerance for risk and investment objectives. Our primary role is to assist clients with investment education, strategic asset allocation (the decision as to how much of your portfolio should be invested in cash, bonds, stocks or alternative investments), investment planning and policy development, quantitative and qualitative investment manager and product research and the evaluation, selection and ongoing monitoring of investments.

Clients may impose restrictions on investing in certain types of investments or securities in their portfolio. For clients whose accounts are held at certain custodians, we may be limited to investing in only those securities offered through the custodian. GAM will only purchase or sell non-managed securities after receiving prior client authorization and approval of GAM's Chief Compliance Officer.

### D. Wrap Fee Programs.

GAM does not currently offer wrap fee programs.

### E. Assets Under Management.

As of December 31, 2016 we managed \$104,034,683 on a discretionary basis and \$129,346,506 on a non-discretionary basis.

## ITEM 5: FEES AND COMPENSATION

### A. Advisory Fees and Compensation.

#### Fee Schedule

Georgina Asset Management, LLC charges investment supervisory service fees quarterly in advance based on a percentage of the market value of a client's assets under management. Fees are calculated based on the last trading day of each calendar quarter in accordance with the following fee schedule:

#### Traditional Assets:

*(Stocks, Bonds, Mutual Funds and ETFs)*

<u>Assets Under Management</u>	<u>Annual Fee (%)</u>
First \$5 million	1.500%
Next \$20 million	1.250%
Next \$25 million	1.000%
Next \$25 million	0.875%
Next \$25 million	0.750%
Next \$25 million	0.625%
\$100 million and above	0.500%

#### Non-Traditional Assets:

*(Hedge Funds, Fund of Funds, Venture Capital, Private Equities and Real Estate)*

<u>Assets Under Management</u>	<u>Annual Fee (%)*</u>
First \$5 million	1.500% + 5% profit participation
Next \$20 million	1.250% + 5% profit participation
Next \$25 million	1.000% + 5% profit participation
Next \$25 million	0.875% + 5% profit participation
Next \$25 million	0.750% + 5% profit participation
Next \$25 million	0.625% + 5% profit participation
\$100 million and above	0.500% + 5% profit participation

*\*Based on valuation of investment for a full calendar year.*

#### Administration of Assets

*(Assets Held at Other Custodians)*

<u>Assets Under Management</u>	<u>Annual Fee (%)</u>
Negotiable	Negotiable

Under certain circumstances, fees may be negotiable.

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

As per GAM's Investment Advisory Agreement (IAA), clients will authorize that fees be deducted from their accounts. The fees charged are calculated as described above. Fees are not charged on the basis of a share of capital gains or capital appreciation of the assets of the account or any portion of the securities of any advisory client, except as it relates to the 5% profit participation of non-traditional assets. Please see *Item 6: Performance-Based Compensation* below. Fees may be negotiable or fixed.

## **C. Additional Fees and Expenses.**

All fees paid to GAM for investment advisory services are separate and distinct from the fees and expenses charged by custodians, portfolio managers, ETFs (Exchange Traded Funds), mutual funds and alternative investment managers to their shareholders and investors. These fees generally include brokerage and transaction costs, management fees and other expenses including incentive or distribution fees in unique cases. A portfolio manager, ETF, mutual fund, or alternative investment may impose an initial or deferred sales charge. GAM does not receive any portion of additional fees and expenses charged by third parties. For additional information, please see *Item 12: Brokerage Practices* below.

A client could invest with a portfolio manager or in ETFs, mutual funds and alternative investments directly, without the services of GAM. In that case, the client would not be subject to the additional fees charged by GAM but would also not receive the services provided by GAM which are designed, among other things, to assist the client in determining which investment managers and vehicles are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both fees charged by the funds and the fees charged by GAM to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

## **D. Prepayment of Fees.**

GAM charges investment supervisory service fees quarterly in advance. A client's agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Management fees will be pro-rated, based on the number of days in which the account was open during a calendar quarter. Upon termination of any agreement, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering the agreement.

## **E. Additional Compensation and Conflicts of Interest.**

GAM does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

GAM receives a performance based fee on a share of capital gains or capital appreciation from certain accredited investor clients with investments in alternative investments such as private investment limited partnerships, limited liability companies, off-shore corporations or other similar entities, such as hedge funds, fund of fund hedge funds, private equity funds, venture capital funds and real

estate funds. Since GAM manages accounts that are charged an asset-based or fixed fee side-by-side with accounts that are charged a performance based fee, this creates a conflict of interest. We can potentially receive higher fees from accounts with a performance-based compensation structure than from those accounts that pay an asset-based or fixed-fee as described above in *Item 5: Fees and Compensation*. Notwithstanding this potential conflict, GAM will only make investment decisions for clients in good faith and in a manner that is consistent with our fiduciary obligations to our clients, without regard to the benefits (including compensation) to us.

## **ITEM 7: TYPES OF CLIENTS**

GAM provides investment advisory services to individuals and their families, trusts, estates, charitable organizations, corporations, pensions and profit sharing plans.

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

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

GAM utilizes a range of methods and analysis to collect and disseminate information, develop tailored investment plans, identify, evaluate and select investment strategies and manage a client's overall assets. In all cases, we are seeking to exploit investment opportunities and mitigate risk within the investment policy authorized by each client. However, *investing in securities or investment vehicles of any kind involve risk of loss that each client should be prepared to bear*. In addition to the risk of absolute loss of capital, inflation erodes the purchasing power of your assets over time. There are many other risks to consider.

### **INVESTMENT APPROACH**

We believe that financial and emotional discipline is critical to achieving long term investment success. There are four distinct aspects of GAM's advisory service that we employ to help develop and maintain customized portfolios that fit each client's unique needs and objectives:

- 1. Education and Information Collection**
- 2. Investment Plan and Policy Development**
- 3. Money Manager Due Diligence, Evaluation and Selection**
- 4. Investment Plan Management, Manager Monitoring and Reporting**

#### **1. Education and Information Collection**

The first phase of our investment approach involves an educational review of the short and long-term historical risk (volatility) and return characteristics of broad asset classes such as cash, bonds, stocks, commodities and alternative investments, if appropriate. Alternative investments may include hedge funds, private equity, venture capital and real estate. We collect detailed financial information about each client including an inventory of savings and investments accounts, original purchase dates and cost of each position, non-liquid assets, liabilities, cash flow and overall tax status.



We are also interested in learning about each client's investment experience, tolerance of risk and specific objectives for their assets.

## **2: Investment Plan and Policy Development**

### **Investment Plan**

The ultimate goal of education, collection of financial information and assessing investment experience, tolerance for risk and defining specific investment objectives is to develop a strategic asset allocation or investment plan that seeks to optimize expected return based on each client's unique risk profile. The investment plan development process is based on historical and forecasted long term asset class return and risk characteristics. Empirical studies have shown that over 90% of long-term return is determined by your asset allocation decision. However, past or forecasted returns are not necessarily indicative or a guarantee of return and risk characteristics in the future. This information can only serve as a guide along with other tools. In order to tailor the investment plan to each client's profile, we utilize various multi-asset class, multi-period, risk/return based (mean variance) portfolio optimization models to develop a range of different investment plan scenarios so each client can become more knowledgeable about the potential implications of their investment decisions. These models take into account spending, inflation and taxes, if necessary. One of the most important measures of these models is that they help illustrate the potential level of volatility a client may experience over short and long periods of time. The final investment plan will be determined by the client and should reflect their tolerance for risk, time horizon and long term investment objectives.

### **Investment Policy**

Once the investment plan is agreed upon, we prepare a clearly written investment policy which includes a detailed description of the investment objectives, performance benchmarks and strategic asset allocation targets for the portfolio. The Investment Policy serves as the blueprint which governs the ongoing management of the portfolio.

Below is a list of key measures in the Investment Policy that are monitored and managed regularly to keep the investment plan on track:

- **Strategic asset allocation target**
  - *How much of your overall portfolio assets are invested in each asset class such as cash, bonds, stocks, commodities or alternative investments.*
- **Absolute and relative performance targets for the overall portfolio**
  - *How has the overall portfolio performed generally as well as compared to benchmarks such as inflation (CPI), absolute return targets, appropriate market indices and respective peer universes.*

- **Absolute and relative performance targets for each asset class and sub asset class**
  - *How has each asset class (i.e. cash, bonds, stocks, etc.) and sub asset class (i.e. large capitalization U.S. stocks, international stocks, government bonds, etc.) performed compared to appropriate benchmarks such as inflation (CPI), S&P 500 Index (i.e. large cap U.S. stock index), MSCI EAFE Index (i.e. developed international stock index) or Barclays Aggregate bond index and peer universes.*
  
- **Percentage range for limited term tactical asset allocation decisions**
  - *How much of an asset class or sub asset class can exceed or be less than the intended target. For example, if the investment policy states that the intended target is 50% in bonds, the permitted range around 50% might be + or – 10% or a range of 40%-60%.*
  
- **Legal restrictions, compliance and regulatory parameters**
  - *This might include written restrictions in the investment policy such as prohibiting the purchasing or selling stock of a specific company in cases where the client is on the Board of Directors of that company or already has a large investment position.*

### 3: Money Manager Due Diligence, Evaluation and Selection

#### Due Diligence

Our investment manager research process involves identifying, conducting due diligence and selecting (discretionary accounts) or recommending (non-discretionary) independent money managers or their products. Managers are sourced through manager databases such as Morningstar and Barclay Hedge Alternative Investment Databases, industry journals, publications, the internet, professionals and clients. Our due diligence process includes collecting and analyzing quantitative and qualitative data about each firm, key personnel and money management services or products through independent sources and manager interviews.

In addition to the specific due diligence and analysis conducted on each specific manager and product, particular focus is concentrated on how a managers' investment style or strategy can increase diversification (reduce risk) and enhance a portfolios return potential. In addition to the benefit of traditional global investing, alternative investments, including the full risk/reward continuum of hedge fund strategies, private equity, venture capital, commodities and direct real estate all represent important investments that may be suitable as part of a broadly diversified investment plan. The due diligence process is adapted according to the type of legal structure of the investment (L.P., separately managed account, open-end mutual fund, ETF, etc.), taking into consideration industry regulations and transparency (see "Alternative Investment" section below).

## Evaluation and Selection

In order to identify which managers we believe represent the best long-term value in their respective class, we look beyond pedigree and performance track records. The following is just a partial list of some of the detailed quantitative and qualitative measures we consider in our evaluation of investment managers:

### Quantitative

- Absolute and relative performance history (gross and net of all costs) including universe, peer and benchmark comparisons
- Risk/Reward statistics including standard deviation (volatility), Sharpe Ratio and Drawdown
- Regression Statistics such as alpha, beta, covariance and correlation

### Qualitative

- Background checks on key management to confirm academic and professional integrity, qualification and skill.
- Intellectual and personality assessment of investment philosophy, analytical process, judgment, motivation, commitment and humility.
- In-depth understanding of the firm's history and structure including hierarchy, internal procedures, operational and risk management controls, manager incentive program and alignment of interests including own money at risk in the strategy.
- Determine how the investment discipline has added value and whether it has to potential to produce consistent results in the future.
- Professional and personal interviews with clients, legal counsel, accountants, auditors and administrative service providers.
- Detailed review of all legal documents, audited financials and performance reports.

In addition, we also consider if an organization, key personnel and products are “investor friendly”. We carefully assess terms of investing, accessibility of key investment decision makers, competitiveness of fees, back office efficiency and responsiveness (including prompt valuation and year-end tax reporting) and a commitment to transparent reporting, regular communication and quality client service.

## 4: Investment Plan Management, Manager Monitoring and Reporting

### Investment Plan Management and Manager Monitoring

After an investment plan has been agreed upon, investment advisory agreements and policy executed and all administrative steps taken to establish the accounts with an independent custodian (see “*Investment Approach*” above) and investments allocated, there are ongoing portfolio management

and monitoring functions employed. These include regularly rebalancing the portfolio's strategic asset allocation, sub asset class weightings and managers (typically monthly but more often if required) and for taxable accounts, selling securities to harvest losses to be applied against current or future capital gains. In addition, manager due diligence is an ongoing process. We maintain regular communication with recommended managers and continue to collect information regarding their performance, portfolio characteristics (portfolio size, investment style or category, country or regional exposure, security diversification and staffing) directly from the firm and from independent third party sources.

## **Reporting**

GAM does not only rely on the investment performance statistics provided to us by managers. Independent third parties such as custodial statements, manager databases, independent performance audits and product administrators are also referenced. We prepare customized portfolio and performance reports which we review quarterly with each client. Performance reports include the total portfolio time weighted rate of return versus the investment policy return target, if appropriate, as well as individual manager returns against appropriate industry benchmarks (indexes) and peer universes. In addition, quarterly reports may include performance attribution, capitalization and style analysis, risk characteristics, sector breakdown, top holdings and manager commentary. GAM prepares a quarterly and annual economic and capital markets update internally from independent sources that summarizes information concerning the domestic and global economy, cash, fixed income, equity and alternative investment markets as well as focus pieces on specific areas of the financial markets in an easy to understand format. Finally, clients and their tax advisor receive a Quarterly and Year-End Tax Report package that includes quarterly and year-to-date interest/dividend income and capital gain/loss reports to assist them in calculating quarterly estimated taxes and federal and state tax returns.

## **B. Material, Significant, or Unusual Risks Relating to Investment Strategies.**

### *Traditional Investment Risks*

Equity or stock markets are subject generally to market, market sector, market liquidity, issuer and investment style risks. Fixed income or bond markets are subject to interest rate, credit, liquidity, pre-payment and extension, and market risks among other factors, all to varying degrees. Investing in international markets involve special risks, including changes in currency exchange rates, political, economic and social instability, a lack of comprehensive company information, differing auditing and legal standards and less market liquidity.

### *Relative Performance Risks*

GAM uses broad-based well known indices as well as lesser known sub-asset class, style or sector specific indices for comparative purposes. There is always the risk that your overall portfolio and underlying investments will perform better or worse when compared to such indices. However, comparisons to benchmarks have limitations because benchmarks have volatility and other material

characteristics that may differ from an investor's portfolio. For example, investments made in an investor's portfolio may differ significantly in terms of asset allocation, industry weightings and security holdings. Many indices are unmanaged, are not available as direct investments and are not subject to management fees, transaction costs or other types of expenses that a client's portfolio may incur. Investors should carefully consider these limitations and differences when evaluating relative performance compared to a benchmark.

### **C. Risks Associated With Particular Types of Securities.**

#### *Mutual Funds (Open-end Investment Company)*

A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The combined holdings the mutual fund owns are known as its portfolio. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads). Some of the risks of mutual funds include having to pay taxes on any capital gains distribution the investor receives even if the fund goes on to perform poorly after the investor buys shares or lack of real-time prices, as mutual funds typically only calculate their NAV once every business day, typically after the major U.S. exchanges close. When it comes to investing in mutual funds, investors have literally thousands of choices. Most mutual funds fall into one of three main categories—money market funds, bond funds (also called “fixed income” funds), and stock funds (also called “equity” funds). Each type has different features and different risks and rewards. Generally, the higher the potential return, the higher the risk of loss.

#### *Money Market Funds*

Money market funds have relatively low risks, compared to other mutual funds (and most other investments). By law, they can invest in only certain high-quality, short-term investments issued by the U.S. Government, U.S. corporations, and state and local governments. Money market funds try to keep their net asset value (NAV)—which represents the value of one share in a fund—at a stable \$1.00 per share. However, the NAV may fall below \$1.00 if the fund's investments perform poorly. Investor losses have been rare, but they are possible. Money market funds pay dividends that generally reflect short term interest rates and historically the returns for money market funds have been lower than for either bond or stock funds. That is why “inflation risk”—the risk that inflation will outpace and erode investment returns over time—can be a potential concern for investors in money market funds.

#### *Bond Funds*

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields. Unlike money market funds, the SEC's rules do not restrict bond funds to high-quality or short-term investments. Because there are many different

types of bonds, bond funds can vary dramatically in their risks and rewards. Some of the risks associated with bond funds include credit risk, interest rate risk, and prepayment risk.

### *Stock Funds*

Although a stock fund's value can rise and fall quickly (and dramatically) over the short term, historically stocks have performed better over the long term than other types of investments—including corporate bonds, government bonds, and treasury securities. Overall “market risk” poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons—such as the overall strength of the economy or demand for particular products or services.

### *Tax Consequences of Mutual Funds*

When investors buy and hold an individual stock or bond, the investor must pay income tax each year on the dividends or interest the investor receives. However, the investor will not have to pay any capital gains tax until the investor actually sells and unless the investor makes a profit. Mutual funds are different. When an investor buys and holds mutual fund shares, the investor will owe income tax on any ordinary dividends in the year the investor receives or reinvests them. In addition to owing taxes on any *personal capital gains* when the investor sells shares, the investor may also have to pay taxes each year on the *fund's capital gains*. That is because the law requires mutual funds to distribute capital gains to shareholders if they sell securities for a profit that cannot be offset by a loss.

### *Exchange Traded Funds (ETFs)*

An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) whose primary objective is to achieve the same return as a particular market index. An ETF is similar to an index fund in that it will primarily invest in securities of companies that are included in a selected market index. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange. Like stock mutual funds, ETF prices may be affected by the prices of the underlying securities and the overall market. ETF prices that track a particular sector may be affected by factors affecting that particular industry segment.

### *Alternative Investments*

An alternative investment is an investment product other than traditional investments such as stock, bonds or cash. Alternative investments may include real estate, private equity, venture capital, commodities, financial derivatives and managed absolute return strategies also known as hedge funds. Alternative investments have historically exhibited the full range of risk and return from low volatility, low return strategies to high volatility, high return strategies. The most important common characteristics of alternative investments are:

- Federal securities law requires that you be an “Accredited Investor” to invest in most alternative investments. An Accredited Investor is a person or institution deemed capable of understanding and affording the financial risks associated with the acquisition of unregistered securities. (Please see a more detailed definition of *Accredited Investor* below).
- Alternative investments are generally considered non-liquid investment vehicles such as limited partnerships, limited liability companies and offshore corporations which are unregistered securities and not easily traded, transferable or liquidated (converted to cash).
- Alternative investments typically limit how often and how much an investor can add to or withdraw from the investment vehicle.
- Alternative investment managers generally have broad discretion over the portfolio and may employ more sophisticated (and potentially riskier) portfolio management techniques than a traditional stock or bond manager.
- Alternative investment fee structures often include a fee based on a percentage of assets under management and a share of the profits in the form of a profit participation or incentive allocation.
- Some alternative investments have historically exhibited lower correlations with traditional investments which may increase the diversification and lower the overall volatility of an investor’s portfolio.
- Some alternative investment managers have historically produced higher risk-adjusted return compared to traditional industry benchmarks and traditional investment managers.

GAM provides advice to certain accredited investors who have expressed interest in and authorized investing in private investment limited partnerships, or other similar entities, such as hedge funds, fund of fund hedge funds, private equity funds, venture capital funds and real estate funds. These funds are offered in accordance with Regulation D of the Securities Act of 1933.

Alternative investments may have certain risk characteristics not found in exchange traded securities and mutual funds. The following is a partial list of risks found in some but not all alternative investments:

- High degree of principal risk
- Leverage
- Speculative investment practices
- Illiquidity
- No periodic valuation information
- Complex tax structures or delays in distributing important tax information
- Loose regulatory oversight
- High fees
- Underlying investments may not be transparent

Alternative investment performance can be volatile. You could lose all or a substantial amount of your total investment. Often, alternative investment fund and account managers have total trading authority over their funds or accounts. The use of a single adviser applying generally similar trading programs could mean lack of diversification and, consequently, higher risk. There is often no

secondary market for an investor's interest in alternative investments and none may develop. There may be restrictions on transferring interests in any alternative investment. Alternative investment fund managers can execute a substantial portion of trades on non-U.S. exchanges. Investing in foreign markets may entail risks that differ from those associated with investments in U.S. markets. Clients are encouraged to read the offering memorandum issued by a private investment before investing.

#### *Accredited Investor Definition \**

The federal securities laws define the term accredited investor in Rule 501 of Regulation D as:

1. a bank, insurance company, registered investment company, business development company, or small business investment company;
2. an employee benefit plan, within the meaning of the Employee Retirement Income Security Act, if a bank, insurance company, or registered investment adviser makes the investment decisions, or if the plan has total assets in excess of \$5 million;
3. a charitable organization, corporation, or partnership with assets exceeding \$5 million;
4. a director, executive officer, or general partner of the company selling the securities;
5. a business in which all the equity owners are accredited investors;
6. a natural person who has individual net worth, or joint net worth with the person's spouse, that exceeds \$1 million at the time of the purchase;
7. a natural person with income exceeding \$200,000 in each of the two most recent years or joint income with a spouse exceeding \$300,000 for those years and a reasonable expectation of the same income level in the current year; or
8. a trust with assets in excess of \$5 million, not formed to acquire the securities offered whose purchases a sophisticated person makes.

### **ITEM 9: DISCIPLINARY INFORMATION**

#### **A. Criminal or Civil Proceedings.**

#### **B. Administrative Proceedings before Regulatory Authorities.**

#### **C. Self-Regulatory Organization (SRO) Proceedings.**

GAM has not been subject to any civil or criminal actions, regulatory administrative proceedings, self-regulatory organization proceedings or customer disputes in which the firm or its management persons were found to have been involved with a violation of any investment-related statutes or regulations or otherwise sanctioned. GAM and Robert Lipp, GAM's Managing Principal, were subjects of customer disputes involving investment advisory services which were informally settled with neither GAM nor Mr. Lipp being found liable.



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

### **A. Broker-Dealer Registration Status.**

GAM is not registered as a broker-dealer or a registered representative of a broker dealer.

### **B. Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Adviser Registration Status.**

GAM is not registered as a futures commission merchant, commodity pool operator, or a commodity trading advisor.

### **C. Material Relationships or Arrangements with Industry Participants.**

Robert Lipp is the President of 17<sup>th</sup> Street Partners, Inc. An affiliate of GAM, 17<sup>th</sup> Street Partners, Inc. serves as the General Partner of KC Target Opportunity Fund I, LP, a private investment limited partnership. The limited partnership was founded October 1999 and has been closed to new investors since April 2000.

GAM is the principal owner of Align Investment Management, LLC, an affiliated investment advisor. Align Investment Management, LLC was formed in April 2010. It currently does not have any clients and is non-active.

### **D. Material Conflicts of Interest Relating to Other Investment Advisers.**

GAM does not receive any compensation directly or indirectly from other investment advisers that we recommend or select.

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

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

GAM has adopted a Code of Ethics pursuant to SEC Rule 204A-1 of the Investment Advisers Act. We will provide a copy of its Code of Ethics to any client or prospective client upon request. Each of our employees is required to read, understand and comply with our Code of Ethics, which is designed to ensure that we comply with applicable laws and regulations in an ethical and professional manner.

### **B. Securities That You or a Related Person Has a Material Financial Interest.**

GAM prohibits the purchasing or selling of securities in which GAM or an employee or related person has a material financial interest.

### **C. Investing in Securities That You or a Related Person Recommends to Clients.**

The Code of Ethics governs and restricts personal investment transactions by our employees. GAM or our employees and representatives may invest in the same securities we recommend to our clients.

### **D. Conflicts of Interest Created by Contemporaneous Trading.**

GAM or our employees and representatives may buy or sell securities for client accounts at or about the same time we buy or sell securities for our own accounts. However, at no time will GAM or any employee receive preferential treatment over clients. It is our policy that no person employed by GAM may purchase or sell any security prior to transactions being implemented for an advisory account and therefore, preventing such employees from benefiting.

## **ITEM 12: BROKERAGE PRACTICES**

### **A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.**

1. Research and Other Soft Dollar Benefits.
2. Brokerage for Client Referrals.
3. Directed Brokerage.

### **The Custodians and Brokers We Use**

GAM does not maintain custody of your assets on which we advise, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see *Item 15: Custody*) below. Your assets must be maintained in an account at a “qualified custodian”, generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), US Trust or First Republic, a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab, US Trust or First Republic. Schwab, US Trust and/or First Republic will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab, US Trust and/or First Republic as custodian/broker, you will decide whether to do so and will open your account with Schwab, US Trust and/or First Republic by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Schwab, US Trust and/or First Republic we can still use other brokers to execute trades for your account as described below (see “*Your Brokerage and Custody Costs*”).

### **How We Select Brokers/Custodians**

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantages when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)

- Capability to execute, clear and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check request, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength and stability
- Prior service to us and other clients
- Availability of other products and services that benefit us, as discussed below (see *“Products and Services Available to Us From Schwab”*)

### **Your Brokerage and Custody Costs**

For our clients’ accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle in your Schwab account. This commitment benefits you because the overall commission rates you pay are lower than they would be otherwise. In addition to commissions fees, Schwab charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to see “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see *“How We Select Brokers/Custodians”*).

For our clients’ accounts that US Trust and First Republic maintain, US Trust and First Republic do charge separately for custodial services.

### **Products and Services Available to Us From Schwab**

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab’s business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support service. Some of those services help us manage or administer our clients’ accounts; while others help us manage and grow our business. Schwab’s support services generally are available on an unsolicited basis (we do not have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. Following is a more detailed description of Schwab’s support services:

**Services that Benefit You.** Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

**Services That May Not Directly Benefit You.** Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' account, including accounts not maintained at Schwab. In addition to our investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping and client reporting

**Services That Generally Benefit Only Us.** Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

### **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We do not have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commission or assets in custody. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality and price of Schwab's services (see "*How We Select Brokers/Custodians*") and not in Schwab's services that benefit only us.

## **B. Order Aggregation.**

From time to time, GAM may determine that the purchase or sale of a particular security is appropriate for multiple client accounts based on a variety of reasons. When this happens, we will determine whether it is most efficient and effective to execute trade orders as one or more block trades (i.e. aggregate the individual trade for each account into one or more trade orders.). These circumstances may, in turn, give rise to actual or potential conflicts of interest among the accounts for whom the security purchase or sale is appropriate, and among the subset of those accounts actually participating in a block trade, especially if the block trade order results in a partial fill. In order to address these conflicts, we have adopted certain policies and procedures that we follow when aggregating trades in an effort to provide an objective and equitable method of trade allocation so that all clients are treated fairly. The basic objectives of these policies and procedures are as follows:

- We will only aggregate trades when we believe that such aggregations are consistent with our duty to seek best execution for our clients.
- No account will be favored over any other account.
- Each account that participates in an aggregated transaction shall participate at the average of the executed share price for that security, with all transaction costs shared on a pro-rata basis.

## **ITEM 13: REVIEW OF ACCOUNTS**

### **A. Frequency and Nature of Review of Client Accounts or Financial Plans.**

#### **B. Factors Prompting Review of Client Accounts Other than a Periodic Review.**

GAM's investment professionals review each of the accounts on a regular, monthly basis and also on a non-routine basis, either when unusual market activity occurs that may affect a client's portfolio or at the request of the client such as when the client has issued instructions for contributions or distributions to be made to or from the portfolio or when the client's objectives or financial circumstances change.

The periodic review of client account information include a review of all relevant client documents (e.g. investment advisory agreement with GAM, written investment policies and/or investment guidelines), the account's asset allocation and compliance with written investment policies and guidelines. Also, as applicable, an account review may include evaluating the account's investment managers and their performance, a review of diversification, realized and unrealized tax consequences to the client and an assessment of overall performance and appropriateness of investments relative to account objectives.

Robert H. Lipp, Managing Principal is responsible for reviewing each account for GAM.

### **C. Content and Frequency of Account Reports to Clients.**

Each investment advisory client receives a monthly statement from the custodian of the securities showing the portfolio's asset value as of the last business day of the month and quarterly reports from us showing the time-weighted return after all costs for the quarter, year-to-date and from inception including cash equivalents, as calculated by GAM. Clients generally receive quarterly economic and global capital market updates as well as overall portfolio strategy. You may receive additional written communications and market commentary from us as market conditions warrant.

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

### **A. Economic Benefits for Providing Services to Clients.**

GAM receives an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. For more information as to how Schwab products and services benefit us and the related conflicts of interest, please refer to *Item 12 – Brokerage Practices*. The availability of Schwab's products and services is not based on our giving particular investment advice, such as buying particular securities for our clients.

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

GAM may enter into contractual agreements ("solicitation agreements") with unaffiliated individuals and organizations that solicit potential clients for the firm. All such agreements are made in writing and comply with the requirements of Rule 206(4)-3 of the Investment Advisers Act (the "Act"). While the specific terms of each solicitation agreement may differ, generally, a solicitors' compensation is based upon GAM's engagement of new clients and the retention of those clients and is calculated using a varying percentage interest in the fees paid to us by such clients. In all solicitation agreements, each solicitor must represent that they have not been: 1) subject to an order of the Securities and Exchange Commission issued under Section 203(f) of the Act, 2) convicted within the last ten years of any felony or misdemeanor involving conduct described in Section 203(e)(2)(A) – (D) of the Act, 3) found by the Commission to have engaged, or convicted of engaging, in any of the conduct specified in paragraphs (1), (5) or (6) of Section 203(e) of the Act; nor 4) subject to an order, judgment or decree described in Section 203(e)(4) of the Act. Each solicitor must agree to advise GAM immediately of any change in such representations. In addition, the solicitor is to provide the prospective client with a copy of our "Disclosure Brochure," which is a copy of our firm's ADV Part 2, in addition to a document disclosing that the solicitor is receiving some form of payment for making the referral. The solicitor is required to obtain the client's signature acknowledging receipt of the Disclosure Brochure and the written document. Note that in some states, a solicitor is also required to be qualified and registered as an investment adviser representative.

## **ITEM 15: CUSTODY**

Pursuant to Rule 206(4)-2 of the Advisers Act, GAM is deemed to have custody of your assets if you authorize Schwab, US Trust and/or First Republic to deduct our advisory fees directly from your account or if you grant us authority to move your money to another person's account. Schwab, US

Trust and/or First Republic maintains actual custody of your assets. You will receive account statements directly from Schwab, US Trust and/or First Republic at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab, US Trust and/or First Republic. You should carefully review those statements promptly when you receive them. We also urge you to compare Schwab, US Trust and/or First Republic's account statements to the periodic account statements/portfolio reports you will receive from us.

## **ITEM 16: INVESTMENT DISCRETION**

GAM manages investment portfolios on a discretionary or non-discretionary basis although you may limit or restrict securities we can purchase or sell for your account. For non-discretionary accounts, we will not exercise any discretionary power without first obtaining written discretionary authority from you. Discretionary authorization is granted upon the execution of a Discretionary Investment Advisory Agreement. Discretionary authority is also granted in the custodian's account opening application.

## **ITEM 17: VOTING CLIENT SECURITIES**

### **A. Policies and Procedures Relating to Voting Client Securities.**

As a matter of firm policy and practice, GAM does not have any authority to and does not vote proxies on behalf of advisory clients.

### **B. No Authority to Vote Client Securities and Client Receipt of Proxies.**

Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. We may provide advice to clients regarding the clients' voting of proxies.

## **ITEM 18: FINANCIAL INFORMATION**

### **A. Balance Sheet.**

GAM does not require or solicit prepayment of \$1,200 or more in fees per client, six months or more in advance and therefore is not required to submit balance sheet.

### **B. Financial Conditions Likely to Impair Ability to Meet Contractual Commitments to Clients.**

GAM does not have a financial condition that is likely to impair our ability to meet contractual commitments.

### **C. Bankruptcy Filings.**

GAM or its principals have never been the subject of a bankruptcy petition.

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

GAM is not a state registered adviser.