

# Part 2A of Form ADV – Disclosure Brochure

Date: March 29, 2017

## Item 1 Cover Page

GAM USA Inc.

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This Brochure provides information about the qualifications and business practices of GAM USA Inc. ("GAM USA"). If you have any questions about the contents of this Brochure, please contact GAM USA's Legal and Compliance Department at (212) 407-4600. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

GAM USA is registered with the SEC as an investment adviser. SEC registration as an investment adviser does not imply any level of skill or training.

Additional information about GAM USA is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this website by a unique identifying number, known as a CRD number. GAM USA's CRD number is 110458.

This Brochure is not an offer or agreement to provide advisory services to any person, an offer to sell interests or a solicitation of an offer to purchase interests in any investment product or vehicle advised by GAM USA, nor a complete discussion of the features, risks or conflicts associated with any account advised by GAM USA. This Brochure is not to be relied upon in determining whether to make an investment or establish an advisory relationship with GAM USA. The information in this Brochure may differ from information provided in the materials that govern an account or investor relationship such as the private placement memorandum or other offering document, investment advisory agreement, subscription agreement, or organizational document ("governing materials"). To the extent that there is any conflict between the information in this Brochure and the relevant governing materials, the relevant governing materials shall control.

PURSUANT TO AN EXEMPTION FROM THE COMMODITY FUTURES TRADING COMMISSION IN CONNECTION WITH ACCOUNTS OF QUALIFIED ELIGIBLE PERSONS, THIS BROCHURE OR ACCOUNT DOCUMENT IS NOT REQUIRED TO BE, AND HAS NOT BEEN, FILED WITH THE COMMISSION. THE COMMODITY FUTURES TRADING COMMISSION DOES NOT PASS UPON THE MERITS OF PARTICIPATING IN A TRADING PROGRAM OR UPON THE ADEQUACY OR ACCURACY OF COMMODITY TRADING ADVISOR DISCLOSURE. CONSEQUENTLY, THE COMMODITY FUTURES TRADING COMMISSION HAS NOT REVIEWED OR APPROVED THIS TRADING PROGRAM OR THIS BROCHURE OR ACCOUNT DOCUMENT.

**Item 2 Material Changes**

This Brochure amends our Brochure dated March 30, 2016. This Brochure contains no material changes to our prior Brochure.

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

GAM USA has been in business since 1989 and provides investment management services to pooled investment vehicles (including advisory services to European regulated commingled funds referred to as “UCITS”), corporate and public pension plans, trusts, estates, charitable organizations, foundations, endowments, corporations, and other business entities. GAM USA is a subsidiary of GAM Holding AG (“GAM Holding”), an independent asset management firm headquartered in Zurich, Switzerland with shares listed on the SIX Swiss Exchange.

As of December 31, 2016, GAM USA’s assets under management were approximately \$3.1 billion, of which approximately \$3 billion is managed on a discretionary basis and \$88 million is managed on a non-discretionary basis.

GAM USA offers various investment products and services through managed account and investment fund structures using both fund of funds and single manager strategies. Fund of funds strategies involve allocating a client’s assets among a portfolio of funds and accounts managed by other investment managers, including private funds that operate pursuant to an exemption from registration as an investment company under the Investment Company Act of 1940, as amended (the “Investment Company Act”), and that are offered to U.S. clients and investors in private placements pursuant to Regulation D under the Securities Act of 1933, as amended (the “Securities Act”). Single manager strategies involve investing a client’s assets directly in shares, bonds or other instruments in investments strategies as described below. We do not provide financial planning services.

#### **Institutional Accounts**

GAM USA offers institutional investors the flexibility of investing through individually customized managed accounts, dedicated single investor private funds, or U.S. and non-U.S. domiciled commingled funds designed for multiple investors that are managed by GAM USA or one or more of its affiliates (these commingled funds are referred to as “GAM Funds”). For purposes of convenience, we sometimes refer to the privately-offered funds and other client accounts that we manage or advise as “GAM Accounts.”

GAM Accounts may invest:

- directly in securities, commodities, currencies, derivatives and other financial instruments;
- in other GAM Funds managed by GAM’s Alternative Investments Solutions team (“AIS”);
- in other pooled investment vehicles, including GAM Funds managed by GAM USA’s affiliates in the GAM group of companies (the “Group”), and/or funds managed by unrelated investment managers (“Portfolio Managers”);
- in separate non-U.S. investment vehicles established or formed by an affiliate of GAM USA and typically managed by Portfolio Managers, which are typically only available to investment advisory clients of a member of the Group; or
- with Portfolio Managers via one or more fund of funds commingled managed account platforms.

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GAM USA's affiliate, GAM International Management Limited ("GIML"), a non-U.S. based SEC-registered investment adviser, and other affiliates may serve as sub-adviser to some GAM Accounts. Investors meeting GAM USA's investment minimum of \$100 million (which may be waived, modified or negotiated at GAM USA's sole discretion) may qualify for managed or customized account management.

### **Single Manager Mandates**

GAM Accounts that are not AIS products may utilize a wide range of investment strategies, depending on the specialty of the individual portfolio manager. Prospective investors should refer to the relevant governing materials for the applicable GAM Fund. Single manager strategies are typically managed either by GAM USA or GIML.

### **Fund of Funds Mandates**

AIS's research team uses quantitative and qualitative methods to identify what AIS believes are the most promising Portfolio Managers for potential investment. The team analyzes each Portfolio Manager's investment approach to identify the source and repeatability of the Portfolio Manager's performance. The size of a portfolio position is generally based upon the strength of the investment case and the Portfolio Manager's expected return, risk and correlation objectives. AIS uses different risk management tools throughout the investment process in order to better understand the sources of risk and reward in a particular portfolio. Strategy-specific investment teams dedicated to particular market segments and geographic sectors conduct research.

A separate team (the "Operational Due Diligence Team") conducts initial operational due diligence and ongoing assessments of the non-investment risks of the underlying Portfolio Managers and certain of the Portfolio Managers' key service providers. The Operational Due Diligence Team has the power to veto any Portfolio Manager selection decision about which it has operational concerns.

The AIS investment process provides discipline and risk control, which can be summarized in five stages:

- Establish objectives and weights - portfolio objective and allocation guidelines;
- Identification of Talent - quantitative and qualitative analysis;
- Manager Evaluation - investment and operational due diligence, performance expectations;
- Portfolio Construction - portfolio modeling; and
- Risk Management - Portfolio Managers, portfolio, and risk monitoring

Many of the above-referenced functions are performed by employees of affiliates located in London and Zurich.

## **Item 5 Fees and Compensation**

### **Institutional Accounts**

The fees for GAM USA's services are typically based on a percentage of the client's net assets under management. GAM USA's basic fee schedule for institutional separate accounts may be negotiated and can vary based upon a variety of factors, including the type of client, strategic mandate, investment amount, particular circumstances of the client, additional or differing levels of servicing, or as otherwise agreed

between GAM USA and the client. The specific manner in which fees are charged by GAM USA for a managed account is established in a written agreement between the client and GAM USA.

GAM USA generally bills its fees on a monthly or quarterly basis. Fees may be deducted directly from client accounts or billed separately. Accounts initiated or terminated prior to the last day of the month or quarter, as applicable, will be charged a pro-rated fee. Fees are not typically paid in advance.

The basic fee schedule may also be modified if the client and GAM USA agree to a performance-based compensation arrangement. GAM USA's performance-based compensation arrangements are structured to comply with Rule 205-3 under the Investment Advisers Act of 1940, as amended (the "Advisers Act").

In addition to being subject to the fees charged by GAM USA, the portion of each client account that is invested in a fund will also bear a proportionate share of the advisory fees and other expenses of the fund.

### **Funds**

GAM USA receives investment management fees from certain GAM Funds. GAM USA's fee schedule applicable to each GAM Fund is generally set forth in the relevant GAM Fund's governing materials. The investor, the GAM Fund and/or GAM USA, in certain circumstances, may negotiate the terms. Prospective investors should review the relevant GAM Fund's governing materials.

GAM USA, an affiliate, or a GAM Fund managed, advised or sponsored by GAM USA or an affiliate, may enter into side agreements with specific investors in a GAM Fund providing for different fees, withdrawal rights, access to information about the GAM Fund's investments, or other matters relating to an investment in the GAM Fund. Appropriate disclosure will be made to other clients and GAM Fund investors of any terms of any such side letter that could potentially adversely affect other clients or investors in a GAM Fund. Certain investors, including "seed" investors and persons associated or formerly associated with GAM USA or an affiliate (and members of their families), as well as certain friends of such persons, may receive preferential fee arrangements.

Each GAM Fund is managed in accordance with the mandate established in the relevant governing materials. GAM Funds may be advised by GAM USA and sub-advised by GIML or other affiliates. GAM USA will be responsible for any investment management fees payable to an affiliated sub-adviser.

GAM USA's advisory and management fees are exclusive of all investment costs incurred by client accounts, including brokerage commissions, transaction fees, custodian fees, administration fees, directors' fees, legal, tax and audit fees and expenses, transfer taxes, wire transfer and electronic fund transfer fees, borrowing fees, filing fees and other fees and taxes on brokerage accounts and securities transactions. Investments in GAM Funds and other funds will also be subject to the investment and operating expenses incurred by those funds. Investors considering investing in a particular fund should request and review the governing materials for the relevant fund for more detailed information about the fees and expenses to be incurred by the fund. Expenses incurred on behalf of more than one client account are allocated among participating client accounts in proportion to their participation in specific investments, in proportion to their respective net asset values, or in such other manner as GAM USA determines to be equitable.

Item 12 describes the factors that GAM USA considers in selecting or recommending broker-dealers to execute client transactions.

## Item 6 Performance-Based Fees and Side-By-Side Management

In some cases, GAM USA may enter into performance-based compensation arrangements with qualified clients. These compensation arrangements are subject to negotiation with each client. GAM USA will structure any performance or incentive compensation arrangement to comply with Section 205(a)(1) of the Advisers Act and Rule 205-3 thereunder. In measuring a client's assets for the calculation of performance-based fees, GAM USA will ordinarily include realized and unrealized capital gains and losses.

Performance-based compensation arrangements may create an incentive for GAM USA to recommend investments that may be riskier or more speculative than GAM USA would recommend under a different fee arrangement. Performance-based compensation arrangements may also create an incentive for GAM USA to favor higher fee paying accounts over other accounts in allocating investment opportunities. GAM USA has adopted procedures designed to ensure that all clients are treated fairly and equally, and to prevent any potential conflict of interest from influencing the allocation of investment opportunities among clients. For example, GAM USA monitors the performance of similarly managed accounts on an ongoing basis.

## Item 7 Types of Clients

As noted above, GAM USA provides investment management services to pooled investment vehicles (including advisory services to European regulated commingled funds referred to as "UCITS"), corporate and public pension plans, trusts, estates, charitable organizations, foundations, endowments, corporations and other business entities.

In general, U.S. investors in GAM Funds must qualify as both "accredited investors" as defined in Regulation D under the Securities Act and "qualified purchasers" as defined in Section 2(a)(51) under the Investment Company Act, and meet other applicable suitability requirements. Generally, investors must invest a minimum dollar amount (which may be waived, modified or negotiated at GAM USA's sole discretion).

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

GAM USA and its affiliates manage GAM Accounts using both fund of funds and single manager investment strategies. In both cases, the underlying assets may be invested in a wide range of investment programs and strategies.

### Fund of Fund Mandates

GAM Accounts managed using a fund of funds strategy are subject to all of the investment risks that may be involved in investments in securities and other financial instruments, many of which are described below, and are also subject to certain additional risks that are unique to the AIS's strategy. AIS currently classifies each Portfolio Manager investment into one of the following four investment strategies: (i) relative value; (ii) event driven; (iii) equity hedge; and (iv) trading. In addition, each investment strategy is divided into a number of sub-strategies and then into styles within each of the sub-strategies.

AIS's evaluation of each Portfolio Manager generally proceeds through the following three types of analysis:

- **Investment Due Diligence:** This investment analysis seeks to identify the source and repeatability of a given Portfolio Manager's competitive advantage. Our specialist investment teams use a systematic and structured framework to conduct an in-depth investment analysis. This analysis typically includes face-to-face meetings with the Portfolio Manager and covers the following four main areas: (i) viability of investment team; (ii) source of competitive advantage and repeatability; (iii) the Portfolio Manager's risk-

taking approach; and (iv) suitability for active management. This analysis typically also covers the Portfolio Manager's fee levels, liquidity and assets under management. In addition, a qualitative review is undertaken and is combined with the quantitative analysis to set research priorities for each strategy and sub-strategy. Particularly for new Portfolio Managers, we may consider the experience of the principals involved and evaluate whether they have the appropriate skills to create both an attractive investment strategy and an operationally sound investment organization.

- **Setting Performance Expectations:** Prior to any investment, forward-looking expectations for return, risk, maximum drawdown and correlation are established for each Portfolio Manager on both an absolute and relative basis. These expectation parameters assist in portfolio construction and objective manager and risk monitoring.
- **Operational Due Diligence.** The Operational Due Diligence Team carries out due diligence on the operational risk of each potential Portfolio Manager as well as ongoing analyses of the Portfolio Managers with which we are invested. The operational due diligence review generally includes an analysis of the Portfolio Manager's and vehicle's accounting and financial controls, contractual arrangements, valuation and pricing policies, back office integrity, strength of the key service providers, and adequacy of controls and procedures.

Before a Portfolio Manager can be approved for investment into a fund of funds portfolio, the AIS portfolio manager presents the investment case for approval to certain senior AIS portfolio managers who are members of the AIS Investment Management Committee (the "IMC"). The investment case consolidates the three key analyses listed above. If the investment is approved, the investment is typically then reviewed quarterly by the IMC. At the quarterly meeting, the IMC generally reexamines each investment, the performance of each Portfolio Manager versus expectations, new potential Portfolio Managers, magnitude of potential draw downs, liquidity, and market and sub-strategy outlooks.

Many of the AIS functions are performed by employees of affiliates located in offices in London and Zurich.

### **Single Manager Mandates**

Single manager strategies may involve a wide range of investment styles, including both fundamental analysis and technical analysis, depending on the strategy and portfolio manager. Certain GAM Accounts managed using a single manager strategy may be invested primarily in bonds, other fixed income securities, and derivatives thereof. Fixed income securities may include, among others, mortgage-backed and asset-backed securities, securities issued by corporations, government securities, municipal securities, repurchase agreements and reverse repurchase agreements. These securities may pay fixed, variable or floating rates of interest and may include zero coupon obligations. GAM USA may also invest in futures, forwards, options, and other derivatives based on debt securities and interest rates and may invest in the common stock or warrants of entities whose assets are debt securities or loans.

Certain GAM Accounts managed using a mortgage-backed security total return or related strategy may invest primarily in mortgages, mortgage-backed securities, asset-backed securities, whole loan residential mortgages and commercial mortgage loans, other similar and related instruments and derivatives thereof. GAM USA may invest in securities that may involve little credit risk, but have high degrees of interest rate risk and prepayment risk. GAM USA may also invest in subordinate securities or equity securities of entities that often involve a high degree of credit risk. In some cases, GAM USA may attempt to hedge some of these risks.



GAM USA may also rely upon GIML and other affiliates for certain investment analysis. There can be no assurance that any GAM Account will achieve its investment objective, as investing in securities and other financial instruments involves a risk of loss that each client should be prepared to bear.

Any investment in any product or strategy offered by GAM USA may be subject to any or all of the risks described below and are suitable only for sophisticated investors for whom an investment in the product does not represent a complete investment program and who fully understand and are capable of bearing the risks of loss of such an investment.

In the case of a GAM Fund, prospective investors should carefully review the risks described in the governing materials for the relevant GAM Fund and should evaluate the merits and risks of an investment in the context of their overall financial circumstances. The risk factors below are not intended to be exhaustive and should be considered carefully by prospective investors together with the full text of the applicable governing materials. The following risk factors may not be applicable to all GAM Accounts. The particular risks applicable to a GAM Account will depend on the nature of the investment program, including, among other things, the strategy or strategies, types of securities held and investment terms.

### **Investment and Trading Risks in General**

All investments risk the loss of the amount invested. No guarantee or representation is made that any investment program will be successful, and investment results may vary substantially over time. The value of a client's portfolio and the income (if any) derived from it, can go down as well as up.

### **Concentration of Investments**

A client portfolio may at times hold relatively few investments. The result of such concentration of investments is that a loss in any position could materially reduce the portfolio's value.

### **Leverage**

Certain investment practices or trading strategies, such as investing in financial and commodity futures and other derivative instruments may involve significant leverage. Leverage can be employed in a variety of ways including direct borrowing, margining, forward settling transactions, short selling and the use of futures, warrants, options and other derivative products. The risk of leverage in futures contracts, options warrants and other derivatives is that small movements in the price of the underlying asset or index can result in large losses or profits. GAM USA may, in accordance with the applicable investment guidelines and restrictions, employ the use of leverage on behalf of GAM Accounts using a single manager investment strategy. GAM Accounts managed using a fund of funds strategy ordinarily will not use leverage, although they may borrow for temporary purposes in order to fund investments in underlying funds or pay redemptions. The amount of leverage used will vary with the number and quality of investment opportunities available and with the perceived risk level. If securities pledged to brokers or other financial institutions to secure a margin account decline in value, an investor could be subject to a "margin call," pursuant to which it must either deposit additional funds with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value.

### **Illiquid Assets**

Certain investment positions may be or become illiquid. A GAM Account may invest in "restricted" or non-publicly traded securities or thinly traded securities, securities traded on non-U.S. exchanges, securities that are acquired directly in private placements that are not registered under U.S. securities laws, or securities traded off established exchanges on an "over the counter" basis. It may not be easy to dispose of such non-publicly or thinly traded securities, and in some cases, there may be contractual restrictions preventing the

disposal of securities for a specified period of time. The lack of an established secondary market could make it more difficult to value securities, which could result in the value varying from the amount realized at disposition. In addition, an exchange or regulatory authority may suspend trading in a particular security or contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. Foreign currency forward contracts and other transactions in derivative instruments not traded on regulated exchanges may be entered into with banks, brokerage firms and other counterparties, may not be assigned without the consent of the counterparty, and may result in losses in the event of a default or bankruptcy of the counterparty.

### **Speculative Nature of Certain Investments**

Certain investments may be regarded as speculative in nature and involve increased levels of investment risk. Since an inherent part of some investment strategies will be to identify securities that are undervalued (or, in the case of short positions, overvalued) by the marketplace, success of such strategies necessarily depends upon the market eventually recognizing such value in the price of the security, which may not necessarily occur.

### **Interest Rate Risk**

Investment strategies that invest in fixed income securities may be exposed to substantial interest rate risk.

### **Prepayment Risk**

Strategies investing in loans and mortgage and asset-backed securities may be exposed to prepayment risk. The frequency at which prepayments (including voluntary prepayments by the obligors and liquidations due to defaults and foreclosures) occur on loans, including loans underlying certain investments, may be affected by a variety of factors including the prevailing level of interest rates as well as economic, demographic, tax, social, legal and other factors.

### **Currency Exchange Exposure**

Certain assets may be invested in securities and other investments that are denominated in currencies other than the U.S. Dollar and in other financial instruments, the price of which is determined with reference to currencies other than the U.S. Dollar. Accordingly, the value of such assets may be affected favorably or unfavorably by fluctuations in currency rates.

### **Currency Trading**

Currency trading is highly volatile and may be highly leveraged and illiquid. Currency prices may be influenced by, among other things: changing supply and demand relationships; government trade, fiscal, monetary and exchange control programs and policies; national and international political and economic events; and changes in interest rates. In addition, governments from time to time intervene in these markets, both directly and through regulation, with the specific intention of influencing such prices. The inability to liquidate currency positions creates the possibility of a client being unable to control its losses in this area.

GAM USA's currency trading will generally take place in the interbank spot, forward and options markets. Interbank currency contracts, unlike stocks and foreign currency futures contracts, are not traded on exchanges and are not standardized. The foreign currency market consists of an informal network of banks and dealers. Banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Although the foreign exchange activities of commercial banks are subject to regulation and supervision by various bank regulatory authorities, the forward, options and "cash" or "spot" currency markets are largely unregulated. In addition, unlike trading on an exchange, there are generally no limitations on daily price movements. While foreign currency markets are large and highly liquid, the principals who deal in the

currency markets are not required to continue to make markets in the currencies they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. Disruptions in any currency market may occur due to unusually high trading volume, political interventions or other factors. There may be periods during which certain banks and dealers refuse to quote prices or may quote prices with unusually wide spreads between the bid and asked prices.

### **Hedging**

Some investment strategies may employ hedging techniques, directed primarily toward general market risks. If employed, hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline; rather, it establishes other positions designed to gain from the same market developments. For a variety of reasons, it may not be possible to establish a sufficiently accurate correlation between hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent an investor from achieving the intended hedge or expose the investor to risk of loss. In addition to possible losses on the position sought to be hedged notwithstanding the attempted hedge, an investor could incur losses on the hedging position itself. Hedging transactions may also limit the opportunity for gain if the value of the portfolio position increases.

All hedging strategies necessarily involve costs, which could be significant, whether or not the hedge sought is successful. Some strategies may invest in markets or instruments as to which hedging strategies are limited or unavailable.

### **Equity Securities**

Investments in long and short positions in equity securities may fluctuate in value (sometimes rapidly or unpredictably), often based on factors unrelated to the value of the issuer of the securities. The market price of equity securities may be affected by general economic and market conditions, such as a broad decline in stock market prices, or by conditions affecting specific issuers, such as changes in earnings forecasts, or by changes in government regulations.

### **Debt Securities**

Some strategies may invest in bonds and other fixed income securities that are subject to credit, liquidity and interest rate risks. Debt securities may be unrated by a recognized credit-rating agency or rated below investment grade and may be subject to greater risk of loss of principal and interest than higher-rated debt securities. Debt securities may also rank junior to other outstanding securities and obligations of the issuer that may be secured by substantially all of that issuer's assets. Investments in some debt securities may not be protected by financial covenants or limitations on additional indebtedness. Investments in distressed debt securities may be subject to a significant risk of the issuer's inability to meet principal and interest payments on the obligations (credit risk) and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity risk (market risk). Evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, which can make it difficult to accurately calculate discounting spreads for valuing financial instruments.

### **Special Situations**

Certain GAM Accounts may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of special situation, there is the risk that the contemplated transaction will be unsuccessful, take considerable time or result in a distribution of cash or

a new security to the holder of the security or other financial instrument, the value of which may be less than the security's purchase price.

### **Short Selling**

Short selling involves trading on margin and accordingly can involve greater risk than investments based on a long position. A short sale of a security involves the risk of a theoretically unlimited increase in the market price of the security, which could result in an inability to cover the short position and a theoretically unlimited loss. Further, there is no guarantee that securities or other instruments necessary to cover a short position will be available for purchase.

### **Derivatives**

GAM USA may trade derivatives, including, without limitation, swaps, swaptions, floors, caps, options on futures, forwards and put and call options as further described below. The risks posed by derivatives include (1) credit risks (the exposure to the possibility of loss resulting from a counterparty's failure to meet its financial obligations); (2) market risks (adverse movements in the price of a financial asset or commodity); (3) legal risks (an action by a court or by a regulatory or legislative body that could invalidate a financial contract); (4) operational risks (inadequate controls, deficient procedures, human error, system failure or fraud); (5) documentation risks (exposure to losses resulting from inadequate documentation); (6) liquidity risks (exposure to losses created by the inability to prematurely terminate a derivative); (7) systemic risks (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (8) concentration risks (exposure to losses from concentration of closely-related risks such as exposure to a particular industry or exposure linked to a particular entity); and (9) settlement risks (the risk that GAM USA faces when it has performed its obligations under a contract but has not yet received value from its counterparty). GAM USA may enter into other types of derivative financial instruments developed in the future, some of which may involve risks different from the risks described herein.

### **Options**

GAM USA may from time to time engage in various types of options transactions. The purchaser of an option runs the risk of losing the entire investment, and the seller of an option runs the risk of losing an unlimited amount of capital. Thus, investors may incur significant losses in a relatively short period of time. The ability to trade in or exercise options also may be restricted in the event that trading in the underlying securities becomes restricted. Options trading may also be illiquid. The risks associated with illiquid securities are described above.

### **Futures**

GAM USA may engage in futures transactions. Futures contracts are usually made on a futures exchange that calls for the future delivery of a specified "commodity" at a specified time and place. These contractual obligations, depending on whether one is a buyer or a seller, may be satisfied either by taking or making physical delivery of the "commodity" or by making an offsetting sale or purchase of an equivalent futures contract on the same exchange prior to the end of trading in the contract month. Futures prices are highly volatile. Financial instrument futures prices are influenced by, among other things, monetary and fiscal policies, interest rates, domestic and international rates of inflation, and currency devaluations.

### **Forwards**

Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets

are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. Disruptions can occur in any market due to unusually high trading volume, political intervention or other factors. Market illiquidity or disruption could result in substantial losses.

### **Residential Mortgage Backed Securities (“RMBS” and, with Commercial Mortgage- Backed Securities or “CMBS”, “MBS”)**

RMBS represent the interests in pools of residential mortgage loans. Such loans may be prepaid at any time. The rate of the defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the area where the related mortgage property is located, the borrower’s equity in the mortgage property and the borrower’s financial circumstances. Prepayment, default, and recovery rates may significantly impact returns.

### **Commercial Mortgage-Backed Securities (“CMBS”)**

CMBS are securities backed by obligations (including certificates of participation in obligations) that are principally secured by mortgages on real property or interests therein having a multifamily or commercial use, such as regional malls, other retail space, office buildings, industrial or warehouse properties, and hotels or other similar types of properties. Mortgage loans on commercial properties often are structured so that a substantial portion of the loan principal is not amortized over the loan term but is payable at maturity as a “balloon payment.” Repayment of the loan principal thus often depends upon the future availability of real estate financing from the existing or an alternative lender and/or upon the current value and salability of the real estate. Therefore, the unavailability of real estate financing may lead to default. Most commercial mortgage loans underlying CMBS are effectively nonrecourse obligations of the borrower, meaning that there is no recourse against the borrower’s assets other than the collateral. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such mortgage loans, payments on the subordinated classes of the related CMBS are likely to be adversely affected. Holders of CMBS bear various risks, including credit risk, market risk, interest rate risk, structural risk and legal risk.

### **Collateralized Debt Obligations (“CDOs”)**

A CDO is a form of ABS where the underlying assets are themselves ABS, MBS, or other debt securities (in which case the CDO is also referred to as a collateralized bond obligation, or “CBO”) or commercial loans (in which case the CDO is also referred to as a collateralized loan obligation or “CLO”). GAM USA may invest in these and other types of ABS that may be developed in the future. Investment in these securities entails risks relating to the cash-flow of the CDO, the ratings of the underlying securities and the performance of the underlying securities, as well as re-investment risk (in revolving deals) and collateral manager risk, among others.

### **Asset Backed Securities (“ABS”)**

Through the use of trusts and special purpose corporations, various types of assets, including but not limited to manufactured housing loans, home equity loans, automobile loans, credit card receivables, and other receivables, are securitized in pass-through structures similar to mortgage pass-through structures or pay-through structures. ABS present certain risks that are not presented by MBS. Primarily, these securities do not have the benefit of the same security interest in the related collateral. Credit card receivables, for example, are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer loan laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. The credit performance of ABS is ultimately tied to the repayment of loans by the underlying debtors. ABS are subject to prepayment risk. The value of an asset-backed security is affected by changes in the market’s perception of the asset backing the security and the

creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.

### **Loan Investments**

GAM USA may invest directly in mortgages and other loans. GAM USA's success investing in loans will depend, in part, on its ability to obtain loans on advantageous terms. In purchasing loans, GAM USA may compete with a broad spectrum of investors and institutions. Increased competition for, or a diminution in the available supply of, qualifying loans could result in lower yields on such loans, which could reduce returns to investors. In the event of a default on a loan that requires a GAM Account to foreclose upon the property or otherwise pursue its remedies in order to protect the investment, GAM USA may seek to obtain a purchaser for the property upon such terms as are deemed reasonable by GAM USA and the GAM Account. However, there can be no assurance that the amount realized upon any such sale of the underlying property will result in financial profit or prevent loss to the GAM Account.

### **Lower Credit Quality Securities**

GAM USA may purchase non-investment grade securities, which the rating agencies deem to have substantial vulnerability to default in payment of interest and/or principal. These securities may experience significant price volatility with respect to a variety of market and non-market factors.

### **Developing Markets**

Certain strategies may invest in developing market debt securities, foreign exchange instruments and equities that may lead to additional risks as compared to investments in developed markets. These risks include currency exchange rate fluctuations, political, social and economic instability, foreign taxes and various regulatory, auditing and reporting standards. The political, regulatory and economic risks inherent in investments in developing markets are significant and may differ in kind and degree from the risks presented by investments in the world's major securities markets. These may include greater price volatility, substantially less liquidity and controls on foreign investments and limitations on repatriation of invested capital. Costs relating to investing in developing markets also tend to be higher than other transaction costs.

### **Prime Broker and Custodian Insolvency**

A client portfolio may be at risk of a prime broker or custodian entering into an insolvency proceeding. During such a proceeding (which may last many years), the use of assets held by or on behalf of the prime broker or custodian may be restricted, and, especially outside the United States, an investor may be an unsecured creditor in relation to certain assets, and accordingly may be unable to recover such assets from the insolvent estate of the relevant prime broker or custodian in full or at all.

### **Systems Risks**

GAM USA relies extensively on computer programs and systems to trade, clear and settle transactions, to evaluate certain financial instruments based on real-time trading information, to monitor portfolios and to generate risk management and other reports that are critical to the oversight of client trading. In addition, certain of GAM USA's operations interface with or depend on systems operated by third parties, including futures commission merchants, prime brokers and market counterparties and other service providers. GAM USA may not be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain defects, failures or interruptions, including, but not limited to, those caused by computer "worms," viruses and power failures. Any such defect or failure could have a material adverse effect on a GAM Account. Although GAM USA has implemented various measures intended to protect its systems and data held by GAM USA relating to its clients, and to ensure that third party service providers have also taken appropriate steps to protect their systems and data, there is no assurance that such

measures will be sufficient or successful in preventing system failures, interruptions in service, errors, unauthorized access by third parties, or other adverse consequences.

The increasing reliance on internet-based programs and applications to conduct transactions and store data creates growing operational and security risks. Targeted cyber-attacks, or accidental events, can lead to a breach in computer and data systems security and subsequent unauthorized access to sensitive transactional or personal information. Data taken in breaches may be used by criminals in committing identity theft, obtaining loans or payments under false identities, and other crimes that could affect the value of assets in which the GAM Accounts invest. Cybersecurity breaches at GAM USA or its vendors and service providers may also lead to theft, data corruption, or overall disruption in operational systems. These threats may also directly or indirectly affect the GAM Accounts through cyber incidents with third party service providers or counterparties. Cyber-security risks can disrupt the ability to engage in transactional business, cause direct financial loss or reputational damage, or lead to violations of applicable laws related to data and privacy protection and consumer protection. These risks also result in ongoing prevention and compliance costs.

### **Particular Risks Applicable to Fund of Funds Strategies**

#### **Allocation of Assets to Multiple Portfolio Managers**

Assets managed using a fund of funds strategy are allocated to a number of Portfolio Managers, often by investing in investment vehicles which they manage ("Portfolio Funds"). Each Portfolio Manager makes its trading decisions independently. Portfolio Managers may on occasion be competing with each other for similar positions at the same time and may take opposite positions in the same or in a related security. If a Portfolio Manager is replaced by a new Portfolio Manager, the assets allocated to the new Portfolio Manager may be subject to incentive compensation arrangements commencing from the date of appointment of the new Portfolio Manager. The client portfolio may be required to pay incentive compensation based upon profits generated by one Portfolio Manager even though another Portfolio Manager or the portfolio as a whole may have realized a loss.

#### **Two Levels of Expenses**

An investor investing in a fund of funds portfolio incurs the costs of two levels of investment advisory services: the management fee paid by the investor for the selection of Portfolio Managers, and the incentive and other fees paid to each Portfolio Manager. In addition, the investor bears a proportionate share of the fees and expenses of the portfolio (including operating costs, distribution expenses and administrative fees) and, indirectly, similar expenses of the Portfolio Managers and Portfolio Funds. An investor who meets the conditions imposed by a Portfolio Manager or Portfolio Fund may be able to invest directly with the Portfolio Manager or Portfolio Fund, although in many cases access to a Portfolio Manager or Portfolio Fund may be limited or unavailable.

#### **Effect of Incentive Compensation**

Portfolio Managers may be compensated through incentive arrangements. Under these arrangements, a Portfolio Manager may benefit from appreciation, including unrealized appreciation, in the value of the Portfolio Fund, but may not be similarly penalized for realized losses or decreases in the value of the Portfolio Fund. Such compensation arrangements may create an incentive for a Portfolio Manager to make purchases that are unduly risky or speculative. An investor may be required to pay incentive compensation to one Portfolio Manager even though the investor may have suffered a loss.

### **Lack of Regulation of Portfolio Funds**

Portfolio Funds may not be subject to any, or may be subject to only limited authorization or regulatory supervision. Portfolio Funds may not be required to have an independent custodian or any custodian at all. Portfolio Funds are generally not subject to many provisions of the U.S. federal securities laws, particularly the Investment Company Act, that are designed to protect investors in pooled investment vehicles offered to the public in the United States, and may not generally be subject to regulation or inspection by the SEC or other U.S. governmental authorities or any comparable scheme of regulation or governmental oversight in their home jurisdiction. Portfolio Funds and Portfolio Managers may be located outside the United States and may not be subject to U.S. law or the jurisdiction of U.S. courts and regulatory authorities.

### **Recent Changes in Regulation**

Legal, tax and regulatory developments could occur that may adversely affect GAM Accounts. Securities and futures markets are subject to comprehensive statutes, regulations and margin requirements enforced by the SEC, U.S. Commodity Futures Trading Commission ("CFTC") and other U.S. and non-U.S. regulators, self-regulatory organizations and exchanges. The U.S. Congress and European Union both have enacted broad financial legislation affecting the operations of banks, private funds and other financial institutions. Many provisions of the legislation are still being implemented through rulemaking. The impact of such regulation on certain trading strategies and operations is impossible to predict and may be adverse. The regulatory environment for hedge funds, swaps, and short selling activities, in particular, is evolving, and changes in such regulation may adversely affect the ability to pursue certain investment strategies, the availability of leverage and financing, and the value of certain investments.

### **Illiquidity**

Investments in Portfolio Funds may be subject to lock-up periods, limited redemption rights, advance notice requirements, suspension rights, gates, side pockets and other provisions that adversely affect liquidity. Interests in Portfolio Funds typically have not been registered under U.S. or other securities laws, typically are not listed or dealt in on any securities exchange, and typically are not freely transferable. It may be difficult or impossible to sell such interests. Portfolio Funds may not permit redemptions and, under certain conditions, may defer redemption payments or suspend redemptions.

### **Distributions in Kind**

An investor in a Portfolio Fund may be required to accept distributions of securities or other assets from the Portfolio Fund. The investments may be illiquid and not readily realizable.

### **Valuation of Portfolio Funds**

The valuation of investments in Portfolio Funds is ordinarily determined based upon valuations provided by the managers or administrators for the Portfolio Funds. Although GAM USA or an affiliate reviews the valuation procedures used by Portfolio Funds and Portfolio Managers, GAM USA is unable to confirm the accuracy of valuations provided by Portfolio Funds and Portfolio Managers.

### **No Control over Portfolio Managers or Funds**

GAM USA and its affiliates are unable to control or monitor the activities of Portfolio Funds and Portfolio Managers on a continuous basis. A Portfolio Manager may use investment strategies that differ from its past practices, have not been fully disclosed to investors, or involve added risks under certain market conditions. Accordingly, a GAM Account is highly dependent upon the expertise and abilities of the Portfolio Managers who have investment discretion over a GAM Account's assets invested with them. Furthermore, while GAM USA generally receives portfolio information from each Portfolio Manager retained on behalf of a GAM Account, the information GAM USA receives may not always be complete or accurate.



## Item 9 Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of GAM USA or the integrity of GAM USA's management. GAM USA has no relevant information to disclose in response to this Item.

## Item 10 Other Financial Industry Activities and Affiliations

### The Group

GAM USA is registered as an investment adviser with the SEC under the Advisers Act and as a commodity trading advisor and commodity pool operator with the CFTC under the Commodity Exchange Act. GAM USA is also a member of the National Futures Association ("NFA") and is approved as a swaps firm by the NFA. Certain individuals associated with GAM USA are registered with the NFA as Associated Persons and/or Principals of GAM USA.

GAM USA's ultimate parent company is GAM Holding, a Swiss public corporation. Established in 1983, the Group was owned by UBS AG from 1999 until December 2005, when it was acquired by the Julius Baer Group. In October 2009, the private client businesses of Julius Baer Holding Ltd. were spun-off into a new entity, Julius Baer Group AG. In connection with the spin-off, Julius Baer Holding Ltd. was renamed "GAM Holding AG." GAM Holding and its affiliates focus exclusively on asset management.

GAM USA is the sole shareholder of GAM Services Inc. ("GAM Services"), an SEC-registered limited purpose broker-dealer and member of the Financial Industry Regulatory Authority Inc. Certain employees of GAM USA are registered representatives of GAM Services. GAM Services does not provide brokerage services to clients of GAM USA, but may act as a distributor or placement agent for certain GAM Funds.

GIML, a company incorporated in England and Wales, is registered as an investment adviser with the SEC under the Advisers Act. GIML is also registered as a commodity trading advisor and commodity pool operator with the CFTC. GIML is a member of the NFA and is approved as a swaps firm by the NFA. In addition, GIML is authorized and regulated by the UK Financial Conduct Authority. GIML is an indirect wholly-owned subsidiary of GAM Holding. GIML provides sub-advisory services to GAM USA with respect to some clients and acts as investment adviser to various U.S. and non-U.S. funds.

GAM London Limited, an asset manager based in London, GAM Hong Kong Limited, an asset manager based in Hong Kong, and GAM Capital Management (Switzerland) AG, an asset manager based in Switzerland, are also indirect wholly-owned subsidiaries of GAM Holding.

GAM Investment Management (Switzerland) AG (formerly Swiss & Global Asset Management AG), an asset manager based in Switzerland, is also an indirect wholly-owned subsidiary of GAM Holding. The company spun off from Julius Baer Asset Management in October 2009.

In October 2016, GAM acquired Cantab Capital Partners LLP ("Cantab"), a multi-strategy systematic investment manager based in Cambridge, UK. Cantab is registered as a commodity trading advisor and commodity pool operator with the CFTC. Cantab is also a member of the NFA and is approved as a swaps firm by the NFA. In addition, Cantab is authorized and regulated by the UK Financial Conduct Authority. Cantab is also an indirect wholly-owned subsidiary of GAM Holding.

### **Other Activities and Potential Conflicts of Interest**

GAM USA has arrangements with affiliated companies that are material to its advisory business. GIML and other GAM affiliates located outside the United States act as sub-adviser to many GAM Accounts. GAM USA also receives investment advisory, corporate finance advisory, and administrative services from GAM Holding and its affiliates.

GAM USA may invest client assets in GAM Funds managed, advised or sponsored by GAM USA or other affiliates in the Group. In such cases, GAM USA or its affiliates may receive advisory fees directly from a GAM Fund at the same time that GAM USA receives advisory fees directly from its clients. The combination of such fees may exceed the fees charged by other investment advisers for comparable investment advisory services. Therefore, GAM USA may have an incentive to invest client accounts in funds managed by affiliates. In order to mitigate a potential conflict of interest in the case of a fund of funds or institutional account managed by GAM USA that invests in a GAM Fund, the fees payable directly or indirectly by the client are structured so that the client does not pay any additional investment management fees to GAM USA or any of its affiliates as a result of an investment in a GAM Fund. In addition, subscription fees charged by GAM Funds are generally waived for GAM USA clients. Potential conflicts related to non-U.S. domiciled GAM Funds are mitigated by the fact that a board of directors comprised of a majority of independent directors typically governs each fund.

GAM USA may invest client assets in other Portfolio Funds and with other Portfolio Managers. Clients could avoid paying advisory fees to GAM USA and still receive the benefit of the services of the Portfolio Managers by investing directly in the Portfolio Funds (to the extent available to them). However, clients investing directly in Portfolio Funds would not receive the benefit of GAM USA's services in selecting and allocating client assets among Portfolio Managers.

GAM USA, GIML or other affiliates may serve as general partner, managing member, administrator, secretary or in similar capacities for investment vehicles in which clients of GAM USA may be solicited to invest.

### **AIS**

AIS performs extensive due diligence with respect to potential and ongoing investments. This process can involve the supply of confidential information on funds and managers that compete with the Group's own range of product offerings. Information barriers are in place to limit the ability of potential managers in other departments to obtain material non-public information, and access to AIS data bases and systems is limited to those working in that area and central control functions.

In addition, the funds and accounts managed by the AIS team may independently invest in accounts or investment vehicles managed by unaffiliated portfolio managers that could have other relationships with GAM USA or an affiliated company of the Group. For example, the unaffiliated portfolio manager may sub-advise an investment vehicle managed or sponsored by a Group affiliate. In the event of such situation, GAM USA will use appropriate steps to ensure that information barriers are in place to limit the ability of the different areas obtaining information about the activities of the other and that all decisions with respect to an account are made independent of the other area's activities.

### **Allocation of Investment Opportunities**

GAM USA and its affiliates provide investment management and advisory services to a wide range of clients, many of which pursue the same or similar investment strategies. Different clients may be subject to different fees and expenses. GAM USA, its affiliates and their employees may own interests in some funds.

GAM USA and its affiliates will determine how investment opportunities are allocated among their clients, even though they may face potential conflicts of interest in making such allocations. Certain investments may be appropriate for a product or strategy managed by GAM USA and also for other clients advised by GAM USA and/or its affiliates. GAM USA and its affiliates may cause different clients to invest in the same or different underlying investments. GAM USA will act in a manner that it considers fair and equitable in allocating investment opportunities among its client accounts. However, GAM USA and its affiliates may make investments for a client account that would have been suitable for investment by another client account but, for various reasons, were not pursued by, or available to, the other account. This could occur by reason of differing tax or regulatory consequences applicable to a particular investment or account, or due to different investment objectives, strategies, restrictions, liquidity requirements or other considerations applicable to particular accounts, or because a particular Portfolio Fund has closed or limited investments by new investors or does not accept a particular client account as an investor. As a result, the performance of different client accounts managed by GAM USA and its affiliates may vary, even if they are managed using the same or a substantially similar strategy.

### **Other Financial Services and Relationships**

GAM USA and its affiliates provide a wide range of investment advisory, management, fund administration, transfer agency, distribution and other services to clients, including GAM Funds. GAM USA and/or its affiliates may provide services to Portfolio Funds or managed accounts in which a GAM Fund or other client of GAM USA may invest, or to the Portfolio Managers of such Portfolio Funds or accounts. GAM USA and/or its affiliates and their employees may also engage in transactions or have financial dealings with other financial services organizations that may invest in or provide banking, brokerage, lending, consulting, advisory or other services to, or be engaged in a wide range of other transactions with a client, a GAM Fund, a Portfolio Fund or a Portfolio Manager.

GAM USA and/or its affiliates do not have any duty to account for profits derived from other activities and are under no duty, other than the duty as a fiduciary, to engage in such activities in a manner that does not affect the investments of its clients. In addition, GAM USA and/or its affiliates are required to devote to client affairs only as much time as they deem necessary and appropriate.

GAM Fund Management Limited, an affiliate of GAM USA, provides fund administration services to many GAM Funds as well as to certain underlying Portfolio Funds in which GAM Accounts may invest, and receives customary administration fees for providing such services.

GAM Holding and its subsidiaries around the world may buy, sell or hold securities and other investments. GAM USA may, in compliance with applicable laws, recommend or effect transactions in securities in which its affiliates may have an interest or position or make a market. Any such transaction will generally be effected through an unrelated party if required by applicable law.

Certain GAM affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with GAM USA's obligation of best execution, as described further below in Item 12. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities on an average price basis. GAM USA will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro-rata basis. Any exceptions will be explained on the order.

Under limited circumstances, certain affiliates of GAM USA may repurchase from clients shares or interests in Portfolio Funds and resell such shares or interests to other clients. Such circumstances may include monthly rebalancing of client accounts with similar investment strategies as a result of cash inflows and outflows. Such transactions will be effected at the current net asset value of the shares or interests involved.

With a client's prior consent, GAM USA may effect U.S. and foreign securities or other investment transactions with its affiliates on an agency or principal basis. Such transactions will be accomplished in accordance with applicable laws and regulations and subject to best execution. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between a GAM Fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

In general, it is against internal policy for GAM USA to act as principal in client securities transactions. Any such transactions would only be effected with the consent of the client as required under Section 206(3) of the Advisers Act.

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

GAM USA has adopted a Code of Ethics (the "Code") for all employees of the firm, describing GAM USA's high standards of business conduct and fiduciary duties to its clients. The Code includes, among other things, provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition against rumor mongering, restrictions on the acceptance of significant gifts, prohibitions on practices commonly known as "pay to play" and the reporting of certain gifts and business entertainment items, and personal securities trading procedures. All GAM USA employees are provided a copy of the Code upon commencement of employment, are provided with initial and on-going training on the policies and procedures contained therein, and must sign a written acknowledgement of the terms of the Code of Ethics at the inception of their employment and annually thereafter.

GAM USA's employees are required to follow GAM USA's Code. Subject to satisfying the requirements set forth in the Code and applicable laws, employees of GAM USA may trade for their own accounts in securities that are recommended to and/or purchased for GAM USA's clients. The Code is designed to assure that the personal securities transactions, activities and interests of the employees of GAM USA will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interests of GAM USA's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Subject to certain exceptions, employees of GAM USA are required to hold securities for a specified period. Employee trading is continually monitored under the Code to reasonably prevent conflicts of interest between GAM USA and its clients. All employees must file initial and annual securities holdings reports. Transactions by employees are monitored in order to ascertain any pattern of conduct that may evidence actual or potential conflicts with the principles and objectives of the Code or other inappropriate or illegal behavior.

GAM USA's clients or prospective clients may request a copy of the firm's Code by contacting our Chief Compliance Officer.

## **Item 12 Brokerage Practices**

### **Investment or Brokerage Discretion**

GAM USA will ordinarily be granted discretionary authority to determine the securities and the amount of securities to be purchased or sold for client accounts and the full discretion, where applicable, to select a broker or dealer to execute transactions and to negotiate the rate of commissions payable for such services. Any sales load or subscription charge payable to an affiliate of GAM USA in connection with an investment by a client in a GAM Fund will be waived.

Selection of brokers, in certain circumstance, may be limited by the client's objectives and applicable law. In selecting brokers, GAM USA's primary consideration will be to obtain the most favorable net result for the client under the circumstances, which may not involve the lowest possible commission cost. However, in addition to the price of the security and the commission cost, GAM USA may also take into account other considerations, including, but not limited to:

- the size and difficulty of the order;
- the apparent capability of the broker to complete the transaction;
- research services provided to GAM USA by the broker, such as reports and analyses of markets, industries, companies and economic trends;
- quality and promptness of execution;
- effectiveness of transaction clearing and settlement; and
- marketing assistance, such as obtaining participations in new issues, providing bids and offers for securities that are thinly traded, and assisting in distribution of shares of investment companies advised or sponsored by GAM USA or its affiliates.

The applicability of specific criteria will vary depending upon the nature of the transaction, the market in which it is executed, and the extent to which it is possible to select from among multiple brokers or dealers.

### **Broker Selection**

GAM USA and its affiliates select brokers and dealers on the basis of the judgment of the capability of each broker or dealer to provide appropriate services at reasonably competitive rates. GAM USA will use its professional judgment and knowledge as to rates paid and charged for similar transactions throughout the industry in making this determination. If in GAM USA's judgment the commission is reasonable in relation to the brokerage and research services provided, GAM USA is authorized to pay a brokerage commission in excess of the commission another broker would have received for effecting the same transaction.

Research services that are provided to GAM USA by brokers and dealers may be used for the benefit of all clients of GAM USA and do not necessarily benefit solely the account(s) from which the commissions were generated. Clients may pay higher commissions than are obtainable from other brokers as a result of GAM USA's consideration of research services and the other factors identified above in addition to commission cost.

Brokers or dealers will not charge GAM USA a separate fee for research and other services, and the continued provision of services in some cases might be conditioned upon GAM USA directing a target level of transactions to the broker or dealer. Likewise, GAM USA has no contractual obligations requiring it to provide minimum amounts of trades to any broker or dealer if GAM USA, in its discretion, determines that the broker or dealer is not providing best execution. In all cases, GAM USA will make a good-faith determination that the services are used in the investment decision making process, and that total commissions paid to a broker or dealer are reasonable in relation to the value of brokerage and research services provided.

The investment research and information services that may be received by GAM USA from brokers may include, among other things: data, analysis and reports regarding securities, securities markets, and the economy; security quotes and data feeds; statistical data and analysis; portfolio strategy information; industry and company information and opinions; stock and bond market conditions; economic projections; credit analysis; pricing and appraisal services; legal developments affecting portfolio securities; and asset allocation and portfolio structure information.

### **Soft Dollars**

Although GAM USA may receive research services from brokers as described above, GAM USA does not currently use commissions generated by trading for client accounts, also known as “soft dollars,” to pay for third party research services. If GAM USA were to decide in the future to use soft dollar arrangements to pay for third party investment research and information services, GAM USA would only do so in a manner consistent with the provisions of the safe harbor under Section 28(e) of the Securities Exchange Act of 1934, as amended. Certain affiliates of GAM USA that provide advisory services to GAM Accounts may use commissions generated to pay for third party research services in accordance with Section 28(e) of the Securities Exchange Act of 1934, as amended, and applicable laws.

### **Trade Allocation and Aggregation Practices**

GAM USA will generally aggregate orders of various clients for block execution when GAM USA has made a good faith determination that the aggregation will be consistent with its duty to seek best execution and with the terms of client agreements and otherwise in the best interests of its clients. Clients, however, are not assured of participating equally or at all in particular investment allocations due to factors such as a particular client’s investment style, applicable restrictions, availability of securities, available cash and other current holdings. Where client transactions are not aggregated, clients may pay commissions and costs which are higher than had GAM USA aggregated the order. Allocations will be made by GAM USA in a manner considered to be fair so that no client will be favored over another client. If the aggregate order is filled in its entirety, it will be allocated among clients in accordance with a written allocation statement. Where the aggregate order is executed in a series of transactions at various prices on a given day, each client’s proportionate share of such order reflects the average price and commission rate paid or received with respect to the total order placed on that day. In some instances, this procedure could adversely affect a given client, but GAM USA believes that aggregation of orders will ordinarily benefit all clients over time. When the full amount of a block execution is not executed, the partial amount actually executed generally is allocated pro-rata among participating client accounts; provided, however, that the portfolio manager has discretion to fill orders for certain accounts before others under certain circumstances such as:

- An order for a certain account may be filled before other accounts in the event that the securities purchased or sold in the block execution are of a small amount so that allocating such securities pro-rata is not feasible, advisable, or meaningful, provided that all such accounts, taken as a whole, are treated fairly and equitably over time.

- In the discretion and at the direction of the portfolio manager responsible for such order, a partially filled order may be allocated first to those accounts where the purchase or sale of such security is most closely aligned with the established investment objective of the account receiving the allocation. In the foregoing circumstances, the market performance of the security being allocated shall not be a determinant in any deviation from a pro-rata allocation.
- If a given security is subject to additional investment criteria or restrictions with respect to a participating GAM Account or for other reasons including, without limitation, tax consequences with respect to a given account or liquidity concerns (e.g., anticipated inflows and/or outflows of capital with respect to a given account).
- Initial public offerings (“IPOs”) are made available to eligible client accounts generally on a pro-rata or rotation system in accordance with GAM USA’s allocation policy.

### **Directed Brokerage**

While GAM USA generally selects the brokers or dealers that provide best execution of portfolio transactions, a client may, in writing, direct GAM USA to use a particular broker or dealer to execute portfolio transactions for its account or request that certain types of securities not be purchased for its account. If a client directs the use of a particular broker or dealer, the client understands that it will relieve GAM USA from negotiating commissions from brokers or dealers and monitoring for best execution. Additionally, clients will be informed that they may lose the possible advantage that other non-directing clients derive from aggregation of orders for several clients as a single transaction for the purchase or sale of a particular security. Where the client directs the use of a particular broker or dealer, the client may pay higher commission charges than GAM USA’s non-directed clients and GAM USA cannot negotiate commissions on the client’s behalf and obtain volume discounts or assure best execution. When agreeing to minimum ticket charges, directed brokerage clients may pay higher commissions than had they agreed to pay solely based upon price per share charges. The effect of such higher commission charges could be compounded by frequent re-balancing or turnover in the account. Non-directed broker clients may pay higher or lower commission charges than directed brokerage clients.

Where the client directs GAM USA to use a particular broker or dealer, GAM USA will, when it buys or sells a portfolio security held by such designating clients, where practicable, transmit orders to a single broker simultaneously with its other discretionary accounts and request that the broker step-out the directed broker trades to the directed broker, but not charge any additional commission. Clients that direct GAM USA to use a particular broker dealer could be adversely affected when step-out trades are not effected simultaneously with trades for other discretionary accounts because the trades may be executed at different times. GAM USA makes every effort to place all trades simultaneously. GAM USA may receive client referrals from affiliates of step-out brokers and therefore has a potential conflict of interest between clients obtaining lower commissions and GAM USA receiving future referrals from affiliates of the step-out brokers.

Although over-the-counter (“OTC”) securities are ordinarily executed on a principal basis, some may be executed on a brokered basis. With such OTC trades, GAM USA may pay a broker who acted as an agent a commission as well as the mark-up/mark-down charged by the market maker of the OTC security. In such cases, GAM USA’s clients will have paid higher commissions than had the trade been placed on a principal basis. This, however, is not the general practice of GAM USA and will be consistent with GAM USA’s duty to seek best execution.

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

In addition to the on-going IMC reviews described in “Item 8, Methods of Analysis, Investment Strategies and Risk of Loss”, GAM Accounts (including both fund of funds and single manager accounts) are reviewed by GAM USA and the applicable portfolio manager, and with respect to certain accounts, its affiliates on a regular basis. Reviews take into consideration the investment objectives, policies and restrictions of the applicable account, as well as market conditions and any legal or regulatory restrictions. GAM USA or its affiliates monitor GAM Accounts for consistency with client guidelines and investment restrictions. In addition, significant company, industry and market changes trigger prompt reviews of all relevant accounts. GAM USA also compares the account’s performance with that of other GAM Accounts with substantiality similar investment objectives, guidelines and restrictions.

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

Neither GAM USA nor any of its employees receives any economic benefits from non-clients in connection with giving advice to clients. Neither GAM USA nor any related person currently compensates any person who is not a supervised person, including placement agents, for client referrals. However, from time to time GAM USA may enter into one or more agreements pursuant to which a placement agent or other third party may receive fees in consideration of introducing or facilitating an investment by one or more underlying investors to one or more of GAM Accounts.

### **Item 15 Custody**

Securities held by GAM Accounts are held in custody by unaffiliated qualified custodians, such as a broker/dealer or bank (other than certain non-transferable securities that are not required to be held in custody by a bank or custodian). However, GAM USA may be deemed to have custody of certain assets of some of the GAM Funds because GAM USA or a related person acts as general partner, managing member or in a similar capacity or otherwise has authority over client assets. Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains each client’s investment assets. GAM USA urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. In addition, we deliver to each investor in a GAM Fund an audited financial statement for the applicable GAM Fund to the extent required by Rule 206(4)-2 under the Advisers Act and its related guidance.

### **Item 16 Investment Discretion**

GAM USA 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. Such discretion is exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, GAM USA observes the investment policies, limitations and restrictions of the clients that it advises. Any applicable investment guidelines and restrictions must be provided to GAM USA in writing.

GAM USA may also enter into arrangements with its clients where GAM USA provides advisory services on a non-discretionary basis.



**Item 17 Voting Client Securities**

Clients may obtain a copy of GAM USA's proxy voting policies and procedures upon request by contacting our Chief Compliance Officer. Clients may also obtain information from GAM USA about how GAM USA voted any proxies on behalf of their account(s).

GAM USA exercises a voice on behalf of its clients through the proxy voting process. GAM USA takes this fiduciary responsibility seriously. Accordingly, proxy votes are cast utilizing a pre-established set of policy guidelines based on the recommendations of an independent third party service provider. The service provider makes its recommendations based on its independent, objective analysis of the economic interests of shareholders. This process ensures that GAM USA votes in the best interests of its clients, and helps insulate voting decisions from any potential conflicts of interest.

Fund managers will generally act in accordance with the policy guidelines. However, a fund manager may override the policy if the fund manager determines it is in a client's best interests. In such cases, GAM USA has established procedures designed to ensure that no conflict of interest exists before a vote outside of policy is permitted. Should any material conflict or potential conflict of interest be identified, the fund manager would be prohibited from overriding the policy. The possibility exists, therefore, that certain issues may be voted differently depending on the GAM Account that holds the security.

AIS has a separate policy that provides for voting at the underlying fund level, but not as to the securities held in the underlying funds. GAM USA will ordinarily vote with management's recommendations on routine matters, absent a valid reason to the contrary, and on a case-by-case basis for other matters.

Voting in funds managed by external Portfolio Managers is determined by each Portfolio Manager under its policy and guidelines and not by GAM USA.

**Item 18 Financial Information**

Registered investment advisers are required to provide you with certain financial information or disclosures about their financial condition. GAM USA is not aware of any financial commitment that could reasonably be expected to impair its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.