

**Item 1 – Cover Page**

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March 31, 2017

This Brochure provides information about the qualifications and business practices of Alpine Woods Capital Investors, LLC (“AWCI”). If you have any questions about the contents of this Brochure, please contact us at (914) 251-0880. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

AWCI is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about AWCI also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for AWCI is 112496.

## Item 2 – Material Changes

This Brochure, dated March 31, 2017 is a revision to our previous brochure (which was dated March 31, 2015). This Item requires us to summarize any material changes to our Form ADV Part 2A since our last filing on March 30, 2016. While we do not believe the following changes are material, we have nonetheless summarized our changes to the current Form ADV Part 2A below:

- We updated our assets under management in “Item 4 – Advisory Business” to approximately \$3.929 billion as of December 31, 2016.
- We removed Stephen Lieber as an owner of Alpine Woods L.P.
- We removed the table of the various affiliated registered investment companies and Private Funds to which AWCI serves as investment adviser list of Funds managed by AWCI in “Item 4 – Advisory Business.”

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

A copy of our Brochure may be requested by contacting Kenneth Corrado at (914) 251-0880.

Additional information about AWCI is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with AWCI who are registered, or are required to be registered, as investment adviser representatives of AWCI.

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## **Item 4 – Advisory Business**

AWCI has been providing advisory services since December 1997. AWCI is wholly owned by Alpine Woods, L.P., which in turn is owned by Samuel Lieber. An affiliated entity, Alpine Woods GP, LLC, is the General Partner of Alpine Woods, L.P. Samuel Lieber serves as the Chief Executive Officer and is a Principal of AWCI.

As of December 31, 2016, AWCI managed approximately \$3.929 billion on a discretionary basis.

AWCI acts as investment adviser to the Alpine Mutual Funds, a family of focused open- and closed-end registered investment companies ("RICs").

AWCI's open and closed-end mutual fund management includes four areas of specialization: (1) global real estate securities; (2) tax aware income investing; (3) distinctively structured equity income products; and (4) innovative thematic funds.

AWCI also provides management services to three private investment-related limited partnerships ("Private Funds" as defined by Rule 203(b)(3) under the Investment Advisers Act of 1940, as amended). The Private Funds are exempt from registration as investment companies pursuant to an exemption available under Section 3(c)(1) of the Investment Company Act of 1940, as amended.

Prospective investors in the Registered Investment Companies advised by AWCI are requested to refer to the applicable summary prospectus, prospectus and Statement of Additional Information ("SAI") for the applicable Registered Investment Company for information with respect to the investment style, strategy and risks of each Registered Investment Company. Similarly, prospective investors in the Private Funds managed by AWCI are requested to refer to the applicable Private Fund placement memorandum for information on the investment style, strategy and risks of each Private Fund.

In the past AWCI has, and in the future may also provide, portfolio management services to a limited number of unaffiliated institutional accounts. We manage these unaffiliated accounts in a continuous manner, based on the specific mandates and restrictions as provided to us by the clients on a periodic basis.

## **Item 5 – Fees and Compensation**

### Registered Investment Companies:

AWCI provides investment advisory services to affiliated registered investment companies ("RICs") and Private Funds. AWCI and each of the RICs are parties to investment advisory contracts. Certain of the RICs pay AWCI an investment

management fee, payable monthly in arrears that is computed at a fixed annual rate of 1.0% of average daily assets of the RIC. Other RICs pay a fee that is computed on a sliding scale based on average assets under management, with 1.0% per annum being the highest rate imposed. For certain RICs the fee is based on average net assets of the RIC, while for other RICs the fee is based on average total assets or average managed assets of the RIC. Additional fee information is available in the prospectus of each RIC. The contracts are subject to approval and renewal by the Trustees of the RICs, including independent Trustees, (if applicable) as required by Section 15 of the Investment Company Act of 1940, as amended (the "1940 Act"). In addition, the contracts are terminable by either party on 60 days' written notice without penalty and provide for automatic termination in the event of an "assignment," as that term is defined by the 1940 Act and the rules thereunder. Potential investors in any of the RICs managed by AWCI are requested to refer to the prospectus and Statement of Additional Information for the applicable RIC(s) for complete information.

#### Private Funds:

An affiliate of AWCI is the general partner of three private investment partnerships ("Private Funds"). AWCI serves as investment adviser for the Private Funds and receives a management fee computed at the annual rate between 1.0% and 1.25% of the assets. The general partner affiliate is entitled to receive an incentive allocation from the limited partners of a Private Fund equal to 15% of each investor's excess net profits (as that term is defined in the limited partnership agreements), if any.

Finally, each Private Fund will pay or reimburse AWCI for certain organizational, operational and other expenses, including broker's commissions charged by third parties, clearance charges, due diligence expenses, loan servicing fees, travel expenses, taxes, and all other expenses incident to the purchase and sale of investments, charges incurred in connection with the custody of investments, legal and accounting fees and other nonrecurring and extraordinary expenses.

For fees and expenses applicable to a specific Private Fund, Investors or prospective investors should consult its related offering documents.

#### Institutional Separate Account Management

Investment management fees for separate accounts and other investment vehicles are negotiated on a case by case basis.

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

As mentioned in Item 5, each Private Fund provides for the payment of performance compensation to Alpine Woods Advisors, LLC, its general partner (“GP”), which is an AWCI affiliated entity. This incentive fee is disclosed to Investors in the relevant offering documents, but is generally equal to 15% of each investor’s excess net profits, if any (as that term is defined in the Private Fund’s partnership agreement). Any such performance compensation will comply with Section 205 of the Investment Advisers Act of 1940, as amended (“Advisers Act”) and Rule 205-3, thereunder, the performance fee rule, to the extent applicable. Please refer to each Private Fund’s offering documents for more detail.

The performance compensation may create an incentive for AWCI to cause the Private Funds to make investments which may be riskier or more speculative than those which would be made under a different fee arrangement. In addition, the performance compensation may create an incentive for AWCI to allocate more profitable trades to such accounts. However, AWCI has implemented procedures (including trade aggregation and allocation procedures, as discussed under Item 12 of this brochure) that are intended to ensure that all accounts are treated equitably over time.

For additional information regarding side-by-side management, please refer to Item 12 of this Brochure.

## **Item 7 – Types of Clients**

AWCI provides investment advisory services to registered investment companies (“RICs”) and Private Funds. In the past AWCI has and in the future may also provide continuous portfolio management services to a limited number of unaffiliated institutional accounts.

AWCI generally requires a minimum account size which varies by product type. AWCI has an account minimum of \$100 million that is applicable to newly managed institutional separate accounts. This minimum may be waived for accounts associated with an existing client and in certain other circumstances at AWCI’s discretion.

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

AWCI's objectives and methodologies reflect carefully developed strategies for capital appreciation, income and, where applicable, tax efficiency.

AWCI's investment management strategies reflect a "top down/bottom up" fundamental approach. We seek to balance risk and opportunities, selecting one carefully researched security at a time, making sure that it is appropriate to a given fund or portfolio's overall goals.

### **Top Down**

- Economic analysis to project probable trends of inflation, employment, productivity, cyclicalities, interest rates and financial liquidity.
- Demographic and socioeconomic analysis to project trends in capital flows and consumer spending.
- Industry analysis to find dynamic opportunities and evolving trends - and to jettison obsolete business models.

### **Bottom Up**

- Comparative corporate financial analysis, with a focus on profitability, balance sheet capacity, and historic returns on invested capital and equity.
- Management evaluation, looking at skills and execution.
- Search for long-term growth potential, including growth technologies, product or service innovation, corporate restructurings, and consolidations.
- "Value timing," - our search for inflection points, when corporate growth opportunities or value increases may be accelerated above recent or historical levels.
- Tax sensitivity, maximizing net after-tax returns where appropriate.

### **Company Research**

Through active portfolio management, which includes in-depth research and due diligence, AWCI evaluates and monitors company-specific business risks. AWCI continually monitors business conditions and supply and demand fundamentals as well as new investments and management turnover. AWCI evaluates the sources of income for a company to determine their stability as well as components of

potential growth.

## Portfolio Characteristics

In managing accounts AWCI utilizes various investment strategies and methods of analysis. This Item 8 contains a discussion of those methods and the risks associated with these investment strategies. However, it is not possible to identify all of the risks associated with investing and the particular risks applicable to a client account will depend on the nature of the account, its investment strategy or strategies and the types of securities held.

While AWCI seeks to manage accounts so that risks are appropriate to the strategy, it is often not possible or desirable to fully mitigate risks. Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. Investors should understand that they could lose some or all of their investment and should be prepared to bear the risk of such potential losses. Investors should read carefully all applicable informational materials and offering/governing documents prior to investing.

Investors should be aware that while AWCI does not limit its advice to particular types of investments, mandates may be limited to certain types of securities, which may not be diversified. The accounts managed by AWCI are generally not intended to provide a complete investment program. Investors are responsible for appropriately diversifying their assets to guard against the risk of loss.

AWCI is an active manager of both equity and fixed-income strategies. AWCI believes taking a global view is essential to understanding the macro-economic trends, changes and relationships that are key to understanding and anticipating risks in increasingly interconnected, changing economies. Original research and analysis, deepened by perspectives from experts around the world, are the cornerstones of our investment process. Our analysts travel the world and apply the knowledge gained from our in-depth evaluation of global industries, economies, demographics, macro-economics and micro-trends as we strive to translate our corporate analysis into effective investment results.

AWCI actively manages a portfolio in a manner that it believes it will adapt to evolving conditions. Many of the funds do not aspire to replicate a benchmark but rather to uncover investment opportunities that may outperform the market or potentially provide other attributes to the total investment mix in the form of, for example, income, global investing, specific sectors and alternative asset classes, such as real estate equities and Real Estate Investment Trusts.



AWCI focuses on tax aware investing in our fixed-income portfolios. Tax sensitivity is built into our fixed-income investment process.

AWCI reviews the overall business and earning potential of the company's goods and services — given world-wide macroeconomic, demographic and consumer trend environments — and determines what it believes will be the value of the company in the medium to long-term. AWCI seeks to find companies that are selling at a discount to this estimated future value. Extensive research and analysis leveraging an in-depth expertise is fundamental to these projections.

Where AWCI is a value buyer of stocks it looks to purchase securities of strong companies which are undervalued by the market. AWCI believes that buying at depressed prices may reduce downside risks. Portfolios typically mix both large and small equity capitalization stocks which usually trade at low price to book, price to sales, and Price to Earnings measurements

- Price to Book (P/B) Ratio compares a stock's market value to the value of total assets less total liabilities.
- Price to Sales (P/S) Ratio is a tool for calculating a stock's valuation relative to other companies, calculated by dividing a stock's current price by its revenue per share.
- Price to Earnings (P/E) Ratio is the ratio or multiple calculated by dividing the price per share (P) by the earnings per share (E). It is a simple measure for comparing the relative valuation of a stock.

#### Portfolio Diversification

AWCI varies the investment mix among aggressive, moderate and conservative opportunities based on evaluations of both business and equity market cycles. AWCI seeks to mitigate overall portfolio risk, remembering that the goal is not to avoid risk, but to manage it appropriately in light of a client's risk/reward preferences.

#### Risk of Loss and Additional Investment Risks

Investing in securities involves risk of loss that clients should be prepared to bear.

All investments, including mutual funds, present the risk of loss of principal – the risk that the value of securities, when sold or otherwise disposed of, may be less than the price paid for the securities. Even when the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment.

The risks associated with real estate investments may include declines in the value of real estate; risks related to local economic conditions, overbuilding and increased competition; increases in property taxes and operating expenses; changes in zoning laws; casualty or condemnation losses; variations in rental income, neighborhood values or the appeal of properties to tenants; changes in interest rates and changes in general economic and market conditions. Investments in REITs are more vulnerable to price fluctuation as a result of events that may affect the industry on which they focus.

The risks associated with foreign securities investing include the possibility that public information available may be more limited than it would be with respect to domestic issuers. Different accounting standards may be used by foreign issuers, and foreign trading markets may not be as liquid as U.S. markets. Currency fluctuations could erase investment gains or add to investment losses. Additionally, foreign securities also involve possible imposition of withholding or confiscatory taxes and adverse political or economic developments. These risks may be intensified in the case of investments in issuers domiciled or operating in emerging market countries. These risks include lack of liquidity and greater price volatility, greater risks of expropriation, less developed legal systems and less reliable custodial services and settlement practices.

Foreign securities are often denominated in foreign currencies. As a result, the value of the security is affected by changes in exchange rates. AWCI may enter into foreign currency transactions to try to manage this risk. The ability to use foreign currency transactions successfully depends on number of factors, including the foreign currency transactions being available at prices that are not too costly, the availability of liquid markets and the portfolio managers to accurately predict the direction of changes in the currency exchange rates.

Municipal securities risks include the ability of the issuer to repay the obligation, the relative lack of information about certain issuers of municipal securities, and the possibility of future legislative changes which could affect the market for and value of municipal securities. Certain municipal securities, including private activity bonds, are not backed by the full faith, credit and taxing power of the issuer. Consequently, the credit quality of private activity bonds is usually directly related to the credit standing of the corporate user of the facility involved. Additionally, if events occur after the security is acquired that impact the security's tax-exempt status, the Fund and its shareholders could be subject to substantial tax liabilities. Additionally, there is a risk that interest rates may rise resulting in a decrease in the value of the securities held by the Fund, or may fall resulting in an increase in the value of such securities. Securities having longer maturities generally involve a greater risk of fluctuations in the value resulting from federal tax consistent changes in interest rates. Securities having shorter maturities generally involve less risk of fluctuation in value resulting from changes in interest rates, but generally have yields lower than securities having longer maturities. Securities having shorter

maturities are also subject to reinvestment risk, which is the risk that if interest rates fall the Fund may need to invest the proceeds of redeemed securities in securities with lower interest rates.

Securities fluctuate in price based on changes in a company's financial condition and overall market and economic conditions, such as real or perceived adverse economic or political conditions, inflation, changes in interest or currency rates, lack of liquidity in the bond markets or adverse investor sentiment. Changes in market conditions will not have the same impact on all types of securities. The value of a security may also fall due to specific conditions that affect a particular sector of the securities market or a particular issuer.

When interest rates rise, the value of fixed income securities generally falls. A change in interest rates will not have the same impact on all fixed income securities. Generally, the longer the maturity or duration of a fixed income security, the greater the impact of a rise in interest rates on the security's value. In addition, different interest rate measures (such as short- and long-term interest rates and U.S. and foreign interest rates), or interest rates on different types of securities or securities of different issuers, may not necessarily change in the same amount or in the same direction.

Certain fixed income securities pay interest at variable or floating rates. Variable rate securities tend to reset at specified intervals, while floating rate securities may reset whenever there is a change in a specified index rate. In most cases, these reset provisions reduce the impact of changes in market interest rates on the value of the security. However, some securities do not track the underlying index directly, but reset based on formulas that may produce a leveraging effect; others may also provide for interest payments that vary inversely with market rates. The market prices of these securities may fluctuate significantly when interest rates change.

Illiquid securities are securities that are not readily marketable, and include repurchase agreements maturing in more than seven days. Illiquid securities involve the risk that the securities will not be able to be sold at the time desired by AWCI or at prices approximating the value at which the client is carrying the securities. Some securities held by a client may be difficult to sell, or illiquid, particularly during times of market turmoil. Illiquid securities may also be difficult to value.

Investments may be made in shares of IPOs or secondary offerings of an issuer. IPOs and secondary offerings may have a magnified impact on the performance of an account with a small asset base. The impact of IPOs and secondary offerings on an account's performance likely will decrease as the account's asset size increases, which could reduce an account's returns. IPOs and secondary offerings may not be consistently available to an account for investing. IPO and secondary offering shares

frequently are volatile in price due to the absence of a prior public market, the small number of shares available for trading and limited information about the issuer. Therefore, an account may hold IPO and secondary offering shares for a very short period of time. This may increase the turnover of the account and may lead to increased expenses for the account, such as commissions and transaction costs. In addition, IPO and secondary offering shares can experience an immediate drop in value if the demand for the securities does not continue to support the offering price.

Investments may be made in “special situation” companies. These investments include a change in management or management policies, the acquisition of a significant equity position in the company of others, a merger or reorganization, or the sale of a spin-off of a division or subsidiary which, if resolved favorably, would improve the value of the company’s stock. If the actual or prospective situation does not materialize as anticipated, the market price of the securities of a special situation company may decline significantly. There can be no assurance that a special situation that exists at the time of its investment will be consummated under the terms and within the time period contemplated. Investments in “special situations” companies can present greater risks than investments in companies not experiencing special situations.

Sector funds should not be treated as a core investment; rather, their role is to round out the growth portion of a well-diversified investment portfolio.

Investments in Asset Backed and Mortgage Backed Securities include additional risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments.

The strategy of investing in dividend-paying stocks involves the risk that such stocks may fall out of favor with investors and underperform the market. Companies that issue dividend paying stocks are not required to continue to pay dividends on such stocks. Therefore the possibility that such companies could reduce or eliminate the payment of dividends in the future or the anticipated acceleration of dividends could not occur. AWCI may hold securities for short periods of time related to the dividend payment periods and may experience loss during those periods.

In the event that AWCI determines that leverage is appropriate in its investment program, AWCI may use borrowed funds and/or investments in certain types of options (such as puts, calls and warrants) and derivatives (such as total return equity swaps, participatory notes and certificates), which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market of those underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the

amounts invested, they also increase the risk of loss. To the extent AWCI purchases securities for a client account with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of an account. If the interest expense on borrowings were to exceed the net return on the investments made with borrowed funds, AWCI's use of leverage would result in a lower rate of return than if an account was not leveraged.

If the amount of borrowings outstanding for a client account at any one time is large in relation to such Account's capital, fluctuations in the market value of the account will have disproportionately large effects in relation to the account's capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains made with the additional monies borrowed will generally cause the net asset value of a client account to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the additional monies borrowed fails to cover their cost to a client account, the net asset value of the account will generally decline faster than would otherwise be the case.

Certain of AWCI's trading and investment activities may be subject to U.S. Federal Reserve Board ("FRB") margin requirements, which are computed daily. At present, the FRB's Regulation T permits a broker to lend no more than 50% of the purchase price of "margin stock" bought by a customer. When the market value of a particular open position changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a "margin call" on the customer is made. If the customer does not deposit additional funds with the broker to meet the margin call within a reasonable time, the customer's position may be closed out. In the event of a precipitous drop in the value of the assets managed by AWCI, AWCI might not be able to liquidate assets quickly enough to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices, incurring substantial losses. With respect to AWCI's trading activities on behalf of a client account, the account, and not AWCI, will be subject to margin calls.

For the majority of RICs managed by AWCI, AWCI intends to hold diversified positions. However, in the case of non-diversified and sector based RICs, AWCI may concentrate holdings in industries, geographic regions or companies which, in light of investment considerations, market risks and other factors, AWCI believes will provide the best opportunity for attractive risk-adjusted returns. The concentration of assets in a small number of issuers, in any one industry or a small number of industries, or in a single industry would subject clients to a greater degree of risk with respect to the failure of one or a few investments or with respect to economic variations in relation to such industry or industries.

A complete list of risks is included in each RIC's summary prospectus, prospectus and Statement of Additional Information and each Private Fund placement memorandum.

For a description of the various investment strategies utilized by AWCI, please refer to the table under Item 4 of this brochure.

With the increased use of technologies to conduct business, AWCI, the RICs, the Private Funds and AWCI's affiliate, SWA are susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber-attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting AWCI, SWA and other service providers (including, but not limited to, accountants, custodians, transfer agents and financial intermediaries) have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with the RIC's ability to calculate its NAV (if applicable), impediments to trading, the inability of shareholders to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of securities in which the RIC or Private Fund invests, counterparties with which the RIC or Private Fund engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and service providers for RIC shareholders) and other parties. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. While the RIC or Private Funds' service providers have established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, the RIC or Private Fund cannot control the cyber security plans and systems put in place by its service providers or any other third parties whose operations may affect the RIC or its shareholders or the Private Fund and its investors.

## **Item 9 – Disciplinary Information**

Without admitting or denying the findings, AWCI and its President, Samuel Lieber, submitted Offers of Settlement and agreed to entry of an Order by the SEC, issued February 7, 2011, instituting administrative and cease-and-desist proceedings

pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Sections 203(e) and (k) of the Investment Advisers Act of 1940 (“Advisers Act”) and Sections 9(b) and (f) of the Investment Company Act (“Investment Company Act”) against AWCI and Sections 203(f) and (k) of the Advisers Act and Section 9(b) of the Investment Company Act against Samuel A. Lieber, Chief Executive Officer of AWCI. The Order alleged that:

- Between 2003 and 2007, AWCI launched a number of new funds and experienced significant growth in assets under management. As a result of the growth in AWCI’s commission-generating business, AWCI had greater opportunity to obtain shares in initial public offerings (“IPOs”). AWCI was the investment adviser for multiple funds and could determine to which funds IPO shares should be allocated. AWCI’s compliance policies and procedures mandated that IPO allocations among clients be made “fairly and equitably” according to a “specific and consistent basis... .” Similar disclosures contained within AWCI’s Form ADV during 2006 and 2007 advised investors that trade allocations would be made according to the “risk tolerance and account objective guidelines of its clients” and in a manner that was “fair and equitable, consistent with the requirements of the Advisers Act and the Investment Company Act.” In practice, AWCI’s portfolio managers were expected to make themselves aware of upcoming IPOs, decide whether or not to participate and communicate initial indications of interest to AWCI’s traders. Those initial indications of interest were not well documented; documentation that did exist was generally not retained. Although the allocation of IPO shares was typically made *pro rata* according to the initial indications of interest, in at least two instances AWCI’s CEO, Samuel Lieber, made a decision to allocate IPO shares in a way that was not consistent with *pro rata* allocation.
- As a result of the IPO allocation practices at AWCI, during the period February 1, 2006 through January 31, 2008 (the “Relevant Period”), AWCI’s then two smallest, most recently-opened funds, the Financial Services and Innovators (now known as Small Cap) funds (together, the “Relevant Funds”), participated in a disproportionate number of IPOs compared to AWCI’s other existing funds (going strictly by size and assuming the other funds had expressed interest in participating in the IPOs). After receiving IPO shares, the Relevant Funds, in most instances, sold some or all of the shares within 3 days after their initial purchase. IPO trading by the Relevant Funds materially contributed to the positive performance of the Relevant Funds during AWCI’s fiscal year ending October 31, 2007 (“FY 2007”). AWCI nonetheless failed to disclose to the Board of Trustees for the AWCI Series Trust or to fund investors the extent to which the Relevant Funds invested in IPOs and the material impact IPO trading had on the performance of the Relevant Funds. In addition, AWCI failed to implement written policies and

procedures reasonably designed to prevent violations of the Advisers Act, including policies regarding the allocation of IPO shares. Finally, AWCI committed books and records violations by failing to make and keep true and accurate order memoranda in connection with the purchase of IPOs.

The SEC found that AWCI violated section 17(a)(3) of the Securities Act of 1933, sections 204, 206(2) and (4) of the Investment Advisers Act, Rules 204-2(a)(3) and 206(4)-8 thereunder and section 34 (b) under the Investment Company Act and Rule 31a-(b)(5) thereunder. The SEC also found that AWCI violated and Mr. Lieber aided and abetted and caused AWCI violations of Rule 206(4)-7 under Section 206 (4) of the Investment Advisers Act. In accepting the Order, AWCI and Samuel Lieber consented to payment of civil money penalties in the amounts of \$650,000 and \$65,000 respectively, and to cease and desist from committing or causing any violations of the respective sections (as listed above) of the Securities Act, the Advisers Act and the Investment Company Act, and AWCI consented to a censure.

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

In addition to being officers of AWCI, certain individuals are also officers of Saxon Woods Advisors, LLC ("SWA") an investment adviser affiliated with AWCI through common ownership and control.

In addition, certain supervised persons of AWCI are also registered representatives of Quasar Distributors, LLC ("Quasar"), an unaffiliated broker dealer that also acts as a distributor to the open-end RICs managed by AWCI. AWCI does not place RIC or other client trades with Quasar, and none of these individuals receive any brokerage compensation related to AWCI clients. As such, any potential conflict inherent in this relationship has been mitigated. AWCI is the management company of three privately offered investment funds exempt from registration under Section 3(c)(1) of the Investment Company Act of 1940 (the "Private Funds"). AWCI is entitled to Management Fees with respect to its involvement with the Private Funds as investment adviser. Stephen A. Lieber and Samuel A. Lieber are managing members of the Private Funds' general partner, Alpine Woods Advisors, LLC (the "GP"). The GP, as general partner of the Private Funds, is entitled to Incentive Allocations, generally equal to 15% of each investor's excess net profits, if any (as that term is defined in the Private Funds' Partnership Agreements). The GP is also the general partner of the Private Funds.

As disclosed above, AWCI is affiliated with SWA. Clients of SWA may be solicited to invest in any or all of these Private Funds as long as such clients meet any accreditation and/or suitability requirements. Additionally, SWA discretionary clients are invested in affiliated open-end and closed-end RIC's managed by its affiliated adviser, AWCI.



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

### **Code of Ethics**

AWCI has adopted a Code of Ethics. All personnel of the Adviser are expected to adhere to as well as comply with all of the specific provisions of the Code that are applicable to them. The Code of Ethics is in compliance with Rule 204A-1 under the Advisors Act and Rule 17j-1 under the Investment Company Act of 1940. The purpose of the Code is to establish procedures for employees of AWCI to report their personal securities transactions and holdings, which are designed to prevent and detect potential conflicts of interest with AWCI's clients. AWCI's Code of Ethics describes the firm's fiduciary duties and responsibilities to clients and sets forth AWCI's practice of supervising the personal securities transactions of employees with access to client information. Individuals associated with AWCI may buy or sell securities for their personal accounts identical to or different from those recommended to clients. It is the expressed policy of AWCI that no person employed by the firm shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on investment decisions of advisory clients.

To supervise compliance with its Code of Ethics, AWCI requires that anyone associated with this advisory practice with access to advisory recommendations provide annual securities holding reports and quarterly transaction reports to the firm's Compliance Department. AWCI also requires such access persons to receive approval from the Compliance Department prior to investing in any IPO's or private placements (limited offerings). In addition, all supervised persons of SWA are required to pre-clear transactions in reportable securities.

AWCI's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information and protecting the confidentiality of client information. AWCI requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Any individual not in observance of the above may be subject to discipline.

AWCI will provide a complete copy of its Code of Ethics to any client or prospective client upon request to Kenneth Corrado, AWCI's Chief Compliance Officer at the firm's principal office address.

**Gifts and Sponsorships:** AWCI maintains internal policies which prohibit employees from accepting or giving gifts in an attempt to influence advisory activities. AWCI's policies are available upon request.

### Participation or Interest in Client Transactions and Personal Trading

AWCI places all orders to buy and sell securities for client accounts. AWCI and its personnel and its affiliates may from time to time purchase or sell the same securities that are purchased or sold for the accounts of clients. In any situation where a conflict exists between the interests of AWCI and its personnel and its affiliates on the one hand and clients, on the other hand, the interests of clients are given priority. Specifically, on any day when orders have been placed to buy or sell a particular security for one or more client accounts, AWCI and its personnel (including members of their immediate families) are prohibited from purchasing or selling the same security until orders placed for clients have been effected unless the order for AWCI or its personnel has been bunched with the orders for client accounts in order, in AWCI's opinion, to achieve a better price in the marketplace than could have been obtained by executing separate orders. If AWCI places orders simultaneously for client accounts and the accounts of the firm, its principals or families of its principals, and more favorable execution prices are received by affiliated accounts, then the employee is required to disgorge any difference in price between their execution and the client's. The disgorgement is donated to charity.

### Inconsistent Investment Positions and Timing of Competing Transactions

From time to time, AWCI may take an investment position or action for one or more clients that may be different from, or inconsistent with, an action or position taken for one or more other clients having similar or differing investment objectives. These positions and actions may adversely impact, or in some instances may benefit, one or more affected clients. For example, AWCI may buy a security for one client and may buy a security for another client that may establish a short position in that same security. The subsequent short sale may result in a decrease in the price of the security which the first client holds. Conversely, AWCI may establish a short position in a security for one client and may buy that same security for a different client. The subsequent purchase may result in an increase of the price of the underlying position in the short sale exposure to a client's detriment. Similarly, transactions in investments by one or more clients and AWCI may have the effect of diluting or otherwise disadvantaging the values, prices or investment strategies of another client, particularly, but not limited to, in small capitalization, emerging market, or less liquid strategies. On the other hand, potential conflicts may also arise because portfolio decisions regarding one client may benefit other clients. For example, the sale of a long position or establishment of a short position for one client may decrease the price of the same security sold short by (and therefore benefit) another client, and the purchase of a security or covering of a short position in a security for one client may increase the price of the same security held by (and therefore benefit) another client.

## Potential Conflicts of Interest Relating to Advisory Activities

### Cross Trades

In certain circumstances, one AWCI client may seek to sell securities that are attractive to another AWCI client. AWCI may (but is not required to) effect purchases and sales between AWCI clients or affiliates ("cross trades") if AWCI believes such transactions are appropriate based on each party's investment objectives and guidelines, subject to applicable law and regulation. AWCI seeks to assure that the price paid or proceeds received by clients in a cross trade is fair and appropriate. Where a RIC participates in a cross trade, AWCI will comply with procedures adopted pursuant to Rule 17a-7 under the Investment Company Act and related regulatory authority.

### Side-by-side Management

Side-by-side management by AWCI of RICs, separate accounts and Private Funds may raise potential conflicts of interest, including those associated with any differences in fee structures, as well as other pecuniary and investment interests AWCI may have in any of these accounts. RICs and separate accounts, for example, generally pay management fees based on a fixed percentage of assets under management, whereas institutional accounts and Private Funds may often have more varied fee structures, including a combination of asset- and performance based compensation. The prospect of achieving higher compensation from a Private Fund or institutional account than from a RIC or separate account may provide AWCI incentive to favor the Private Fund or institutional account over the RIC or separate account when, for example, placing securities transactions that AWCI believes could more likely result in favorable performance or engaging in cross trades. Similarly, AWCI or its affiliates or employees may have a significant proprietary investment in a fund or account, and AWCI may have an incentive to favor such a fund or account to the detriment of other funds or accounts. AWCI's policies and procedures stress that investment decisions are to be made without consideration of AWCI's pecuniary or investment interests but, instead, in accordance with AWCI's fiduciary duties to its client accounts. For additional information regarding side-by-side management, please refer to Item 6 of this Brochure.

## **Item 12 – Brokerage Practices**

The investment program that AWCI employs for its clients will in certain cases result in AWCI purchasing or selling for certain clients the same securities as it is purchasing or selling for other clients. There may be circumstances under which AWCI will commit more or less of a client's assets to an investment opportunity than

the percentages of others clients' assets so committed by AWCI. There may also be circumstances under which AWCI will consider participation by a client in investment opportunities in which AWCI does not intend to invest on behalf of another client.

AWCI will evaluate for its clients a variety of factors that may be relevant in determining whether a particular investment opportunity or strategy is appropriate and feasible for a particular client at a particular time, including, but not limited to, the following: (1) the nature of the investment opportunity taken in the context of the other investments at the time; (2) the liquidity of the investment relative to the needs of the particular client; (3) the availability of the opportunity (i.e., size of obtainable position); (4) the transaction costs involved; and (5) the investment policy or regulatory limitations applicable to the particular client.

Situations may occur, however, where one client could be disadvantaged because of the investment activities conducted by AWCI for another client. Such situations may be based on, among other things, the following: (1) legal restrictions on the combined size of positions that may be taken thereby limiting the size of client positions; (2) the difficulty of liquidating an investment where the market cannot absorb the sale of the combined positions; and (3) the determination that a particular investment is warranted only if hedged with an option or other instrument and there is a limited availability of such option or other instrument. In particular, the RICs may be legally restricted from entering into a "joint transaction" (as defined by the Investment Company Act of 1940) with the other clients with respect to the securities of an issuer without first obtaining exemptive relief from the SEC.

#### Trade Allocation and Aggregation

AWCI has adopted a trade allocation policy to prohibit any allocation of trades in a manner that would permit AWCI's proprietary accounts (including any RIC or Private Fund where at least 25% of account's assets beneficially owned by the Adviser or -Messrs. Samuel or Stephen Lieber, their family members and accounts for the benefit of such family members), affiliated accounts, or any particular client(s) or group of clients to receive more favorable treatment than any other client accounts. The 25% ownership will be calculated within 10 business days of each month-end based on the last business day in the previous month. AWCI has adopted a pro rata allocation method as the policy for the fair and equitable allocation of transactions.

AWCI may aggregate trade orders in order for clients to receive the benefits of volume pricing and the sharing of trading costs. A combined (or "aggregated") order must be transmitted to the trading desk with a written statement (an "Allocation Statement") specifying the participating client accounts and the allocation of such orders among those clients. If the aggregated order is filled in its entirety, it will be

allocated among clients in accordance with the Allocation Statement at the average price obtained for all executions for the same security on the same side of the market on the same day; if the order is partially filled, it will be allocated pro rata in proportion to the individual clients' original stated indications of interest listed in the Allocation Statement.

Notwithstanding the requirements described above, AWCI's trade allocation policy permits occasional instances where an order may have a final allocation different from that specified on the Allocation Statement. This differential is permitted as long as, over time, all participating clients receive fair and equitable treatment. This may be accomplished using tools within the trade order management system, but it is expected that these instances will be few and sporadic. The reason for the changed allocation must be approved in writing by the Chief Compliance Officer, or their respective designees.

### IPO Allocation

With regard to the allocation of shares of Initial Public Offerings ("IPOs"), clients may participate in allocations received by AWCI of interests in shares of IPOs (neither clients of AWCI's affiliate, Saxon Woods, nor the AWCI Private Funds are permitted to participate in IPOs). AWCI's policy and practice is to allocate IPO shares fairly among its eligible clients. It is AWCI's discretionary policy not to invest a Fund's assets in the initial public offering of an issuer's securities ("IPOs"), if, in aggregate, 25% or greater of such Fund's shares are beneficially owned by AWCI, affiliates of AWCI, Messrs. Samuel or Stephen Lieber, their family members, and accounts for the benefit of such family members (the percentage of ownership will be calculated within 10 business days of each month-end based on the last business day in the previous month). AWCI's portfolio managers (the "PMs"), having received notice of an IPO, gauge each client's participation in IPO's according to the risk tolerance and account objective guidelines of the funds and/or clients they manage. The PMs evaluate a potential IPO investment in terms of, including but not limited to, industry sector, market geography, income and growth potential, and risk and/or company specific characteristics. Based on these factors, the PMs then inform AWCI's trading Desk of their interest level in an IPO. For purposes of this disclosure, an "interest level" is defined as any share amount greater than zero. The levels of interest of each PM is recorded on AWCI's Indications of Interest Statement (the "IIS"), each of which is maintained by the Compliance Department. The PMs are required to sign the IIS or evidence the same electronically (e.g. Email), which must specifically identify the client(s) for which the IPO allocation is designated. The Trading Desk communicates AWCI's total interest to the underwriters. In the event that a full allocation is not received, shares will generally be allocated pro rata in proportion to the individual Fund(s) and/or other investment account(s)' written indications of interest.

All Allocation Statements, IIS's and Re-Allocation records must be retained by AWCI for a minimum of six (6) years.

### Affiliated Accounts

Entities related to AWCI and members of AWCI may buy and sell securities and other investments for their own accounts and for the accounts of family members or for other accounts in which they may have an interest (excluding, however, certain fee-paying registered and unregistered investment funds managed by AWCI) and may have actual or potential conflicts of interest with respect to investments made on behalf of clients (collectively, "Affiliated Accounts"). As a result of differing trading and investment strategies or constraints, positions may be taken for Affiliated Accounts that are the same, different or made at different times than positions taken for other client accounts. In any situation where a conflict exists between the interests of AWCI and its personnel and its affiliates on the one hand, and clients on the other hand, the interests of clients are given priority. Specifically, on any day when orders have been placed to buy or sell a particular security for one or more client accounts (including clients of AWCI's affiliated adviser), AWCI, its personnel (including members of their immediate families) and Affiliated Accounts are prohibited from purchasing or selling the same security until orders placed for clients have been effected (i) unless the order for AWCI, its personnel or Affiliated Accounts has been bunched with the orders for client accounts provided, in AWCI's opinion, that there is sufficient liquidity in the market as not to adversely affect the price of the security or (ii) unless Compliance has pre-approved the trade after first determining that such approval does not adversely affect the clients. In order to mitigate the possibility that clients will be adversely affected by such trading, AWCI has adopted a Code of Ethics governing securities trading in the personal accounts of investment professionals of AWCI and other personnel of AWCI who normally come into possession of information regarding client transactions, which, among other provisions, requires pre-approval of certain transactions, reporting of transactions in securities on a quarterly basis, and reporting holdings on an annual basis.

### Selection of Brokers and Soft Dollars

AWCI seeks to effect each transaction at a price and commission that provides the most favorable total cost or proceeds reasonably attainable under the circumstances. AWCI may consider various factors when selecting a broker or dealer, including, but not limited to, the nature of the portfolio transaction, the size of the transaction, the broker's reliability, the quality of the broker's execution services, the broker's financial condition, commission rates on agency transactions, the execution quality, clearing and settlement capabilities of the broker or dealer; the desired timing of the transactions, confidentiality, and under appropriate circumstances the general brokerage (execution-related) and research services that are provided. Research and execution-related services may be provided in the form

of written reports, telephonic communications, data feeds, software, including software providing securities analysis functions, analyst earnings revisions, etc., and may contain information concerning securities markets, the economy, individual companies, pricing information and services, performance studies and other information providing assistance in the performance of AWCI's investment decision-making responsibilities.

AWCI may cause its clients to pay a broker-dealer that provides brokerage and research services to AWCI an amount of commission in excess of the commissions which another broker-dealer would have charged for effecting a transaction. AWCI will only engage in soft dollar or commission sharing transactions that comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934. Research and execution-related services provided by brokers may be proprietary products and services of the brokers, or third party products provided to AWCI by the brokers. AWCI participates in research and brokerage services agreements in which a broker dealer will retain a portion of commissions generated by AWCI for the payment of research and execution-related services as directed by AWCI. AWCI clients should be aware that while the primary recipients of the benefits provided by receipt of research are AWCI clients, an affiliated firm, Saxon Woods Advisors ("SWA"), may also indirectly benefit due to the fact that both firms have analysts and portfolio managers in common. As such, AWCI clients may potentially be viewed as subsidizing SWA clients by SWA's use of soft dollar research.

Although it is not possible to assign an exact dollar value to certain services, they may, if and to the extent used, tend to reduce the expenses of AWCI. The fees paid to AWCI by clients are not reduced because AWCI receives such services. Research and execution-related services furnished by brokers and dealers with whom AWCI and its affiliates effect transactions may be beneficial to certain of the accounts advised by AWCI. A particular account may be charged a commission paid to a broker dealer which supplies research or execution-related services not directly utilized by such account. However, AWCI expects that each client account will benefit overall by these practices because of the overall benefits of research and execution-related services. On a semi-annual basis, AWCI assesses its commission policies, rates and allocations. This review considers the contributions and value of research services received from broker-dealers.

With respect to securities that are purchased and sold by brokers acting as a principal, such transactions will generally be effected at net prices without payment of any commission. AWCI will deal directly with the selling or purchasing principal or market maker in such transactions without incurring charges for the services of a broker unless it is determined that better price or execution may be obtained by using the services of a broker. Purchases of portfolio securities from underwriters include a commission or concession paid by the issuer to the underwriter, and purchases from dealers include a spread between the bid and ask price.

Consistent with the foregoing standards and subject to applicable laws and rules, orders to purchase and sell investments for client accounts may be directed to unaffiliated dealers that sell shares of the RICs and Private Funds to their customers. If this were to occur, it would be random and the brokerage allocation decision would be independent of any other affiliations.

### Trade Errors

AWCI does not utilize error accounts. As such, in the event of a trade error that is the responsibility of AWCI (i.e. caused by AWCI and not the custodian or another third-party), clients will retain any gains resulting from the error. In addition, AWCI will make clients whole for any account loss caused by a trade error.

### Revenue Sharing

AWCI may, at its own expense, make payments to some, but not necessarily all brokers, dealers or financial intermediaries for shareholder services, as an incentive to sell shares of a Fund and/or to promote retention of their customers' assets in a Fund. These payments sometimes referred to as "revenue sharing," do not change the price paid by investors to purchase the Funds' shares or the amount the Funds receive as proceeds from such sales. Revenue sharing arrangements are separately negotiated.

The payments are made by AWCI out of its profits and other available sources, including profits from their relationships with the Fund. These payments are not reflected as additional expenses in the fee table contained in the Funds' prospectuses. The total amount of these payments by AWCI may be substantial to any given recipient and may exceed the costs and expenses incurred by the recipient for any fund-related marketing or shareholder servicing activities.

Revenue sharing payments may be made to brokers, dealers and other financial intermediaries that provide services to the Funds or their shareholders including shareholder servicing, transaction processing, sub-accounting services, marketing support and/or access to representatives of the broker, dealer or other financial intermediaries. Revenue sharing payments also may be made to brokers, dealers and other financial intermediaries for inclusion of the Funds on a sales list, including a preferred or select sales list. To the extent that financial intermediaries receiving revenue sharing payments sell more shares of a Fund, the Adviser benefits from the increase in fund assets as a result of the fees the Adviser receives from the Fund.

Revenue sharing payments create an incentive for an intermediary or its employees or associated persons to recommend or sell shares of the fund to you. Contact your financial intermediary for details about revenue sharing payments it receives or may receive. Revenue sharing payments, as well as payments under the distribution and shareholder servicing plan (where applicable), also benefit the Adviser and



other service providers to the extent the payments result in more assets being invested in a Fund on which fees are being charged.

The Funds may also enter into agreements with financial intermediaries pursuant to which the Funds will pay financial intermediaries for services such as networking, sub-transfer agency, administrative, recordkeeping and shareholder services. Administrative fees may be paid to a financial intermediary that undertakes, for example, shareholder communications on behalf of a Fund. Recordkeeping services may include maintenance of shareholder accounts by a financial intermediary. Networking services are services undertaken to support the electronic transmission of shareholder purchase and redemption orders through the National Securities Clearing Corporation. Payments made pursuant to such agreements are generally based on either (1) a percentage of the average daily net assets of a Fund's shareholders serviced by such financial intermediaries, or (2) the number of a Fund's shareholders serviced by such financial intermediaries. Any payments made pursuant to such an agreement are in addition to, rather than in lieu of, distribution or shareholder services fees the financial intermediary may also be receiving pursuant to agreements with the Distributor. From time to time, the Adviser may pay a portion of the fees for these services at its own expense and out of its own profits.

### **Item 13 – Review of Accounts**

Team members performing account reviews include, but are not limited to, portfolio managers, the Office of the Chief Investment Officer, traders, operations associates and compliance officers. Portfolio Managers review performance, transactions and holdings for each client account typically on a daily basis. Additionally, the Office of the Chief Investment Officer reviews performance and selected trade activity of each investment team on a periodic basis. Generally, each client account receives periodic performance and holdings reports according to their contractual requirements.

See Item 15 for additional information with respect to custody of assets.

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

AWCI may at its own expense make payments to some, but not all brokers, dealers or financial intermediaries for shareholder services, as an incentive to sell shares of its open-end funds and/or to promote retention of their customers' assets in a fund. As set forth in Item 12, AWCI has made these payments which are sometimes referred to as "revenue sharing." AWCI has entered into commission-sharing arrangements ("CSAs") with brokers, in which a portion of the commissions that

Clients pay a broker to execute trades would be paid to other brokers that provide bona fide research.

See Item 12 for additional information with respect to commission-sharing and revenue sharing arrangements.

AWCI does not currently compensate any third parties for client referrals.

## **Item 15 – Custody**

RIC assets will be maintained at a qualified custodian such as a broker-dealer, bank, or other qualified custodian. Currently, State Street Bank and Trust Company serves as Custodian to the RICs.

As a result of its affiliation with the General Partner to the Private Funds, AWCI is deemed to have custody of the Private Funds' assets. Pursuant to Rule 206(4)-2 under the Investment Advisers Act of 1940, we maintain compliance by ensuring that:

- each Private Fund is audited on an annual basis by an independent accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board in accordance with its rules.
- we distribute audited financial statements prepared in accordance with generally accepted accounting principles to all limited partners (or members or other beneficial owners) within 120 days of the end of the fiscal year of the applicable Private Fund.

## **Item 16 – Investment Discretion**

AWCI has the authority to determine the specific securities and amount of such securities to be bought or sold on behalf of clients. The particular securities, and the amounts of such securities to be purchased or sold, are determined by AWCI consistent with clients' investment objectives, policies, and restrictions.

AWCI has the authority to determine the particular brokers and dealers to be used to effect portfolio transactions for clients. In selecting brokers to effect transactions, AWCI considers such factors as price, the ability of the brokers to effect the transactions, the brokers' facilities, reliability and financial responsibility and any research products or services that may be provided by such brokers. Transactions in foreign securities markets may involve the payment of fixed brokerage commissions, which can be higher than those in the United States.

## **Item 17 – Voting Client Securities**

AWCI votes proxies relating to the securities held in the portfolios of our institutional clients who have delegated proxy voting authority to AWCI, and our affiliated mutual funds and unregistered private funds (“Clients”). In carrying out this function, AWCI utilizes an independent service provider, as described below. AWCI’s goal in performing this service is to make proxy voting decisions: (i) to vote or not to vote proxies in a manner that serves the best economic interests of its clients; and (ii) that avoid the influence of conflicts of interest. To implement this goal, AWCI has delegated to Institutional Shareholder Services Inc. (“ISS”), an independent service provider, the administration of proxy voting for the Funds’ portfolio securities directly managed by AWCI, subject to oversight by AWCI’s Chief Compliance Officer (or his/her designee). ISS provides proxy-voting services to many asset managers on a global basis. AWCI has reviewed, and will continue to review annually, the relationship with ISS and the quality and effectiveness of such services provided by ISS.

Specifically, ISS assists AWCI in the proxy voting and corporate governance oversight process by developing and updating the “ISS Proxy Voting Guidelines,” which are incorporated into the Funds’ Proxy Voting Guidelines by reference, and by providing research and analysis, recommendations regarding votes, operational implementation, and recordkeeping and reporting services. AWCI’s decision to retain ISS is based principally on the view that the services that ISS provides, subject to oversight by AWCI, generally will result in proxy voting decisions which serve the best economic interests of the Funds’ shareholders. AWCI has reviewed, analyzed, and determined that the ISS Proxy Voting Guidelines are consistent with the views of AWCI on the various types of proxy proposals. When the ISS Proxy Voting Guidelines do not cover a specific proxy issue and ISS does not provide a recommendation, ISS will notify AWCI, and AWCI will use its best judgment in voting proxies on behalf of the Funds’ shareholders, consistent with the Proxy Voting Guidelines. The ISS Proxy Voting Guidelines can be found on their website ([www.issgovernance.com/policy-gateway/2017-policy-information/](http://www.issgovernance.com/policy-gateway/2017-policy-information/)).

The Proxy Voting Guidelines address a wide variety of individual topics, including, among other matters, shareholder voting rights, anti-takeover defenses, board structures and the election of directors, executive and director compensation, reorganizations, mergers, and various shareholder proposals.

AWCI does not engage in investment banking, administration or management of corporate retirement plans, or any other activity that is likely to create a potential conflict of interest. In addition, because client proxies are voted by ISS pursuant to the predetermined ISS Proxy Voting Guidelines, AWCI generally does not make an actual determination of how to vote a particular proxy, and, therefore, proxies voted on behalf of a client do not reflect any conflict of interest. Nevertheless, if AWCI

proposes to vote a proxy that deviates from ISS' Proxy Voting Guidelines or recommendations, AWCI is required to get pre-approval from its CCO or his/her designee. The CCO or his/her designee will determine whether a potential conflict of interest exists. If it is determined that the potential conflict of interest is material, the proxy will be voted in accordance with the recommendation of ISS. AWCI's voting history and policies are available upon request.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about AWCI's financial condition. AWCI has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.