

## **Item 1 – Cover Page**

Della Parola Capital Management

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March 2017

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This brochure provides information about the qualifications and investment advisory business practices of Della Parola Capital Management (“Della Parola”). If you have any questions about the contents of this brochure please contact us at 970-372-4704 or [info@dellaparola.com](mailto:info@dellaparola.com). 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.

Della Parola is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information from which you can determine whether to hire or retain the adviser.

Additional information about Della Parola is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This Brochure, dated March 2017, represents an annual update of the Form ADV Part 2A Brochure for Della Parola. No material changes have occurred to this Brochure since its last annual update in March 2016.

This Brochure may be requested by contacting [info@dellaparola.com](mailto:info@dellaparola.com).

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## **Item 4 – Advisory Business**

Della Parola, formerly known as “Della Parola, LLC” and as “Della Parola Capital Research”, is an investment advisor registered with the United States Securities and Exchange Commission (“SEC”) and is a limited liability company formed under the laws of the State of Colorado. The firm was organized in 2005 and has been registered with the SEC since 2009.

The firm is owned by Nardi Capitale, LLC, Miao Stochastic, LLC, and Zumwalt Financial Services, LLC.

### **Services We Provide**

Della Parola’s primary business is providing investment management and investment advisory services to its clients. Although the firm generally provides such services directly to clients, we can also provide services to other investment advisory firm on a “sub-advisory” basis.

Della Parola’s principal focus is serving individuals, high net worth individuals, investment companies, pooled investment vehicles and corporations in a comprehensive, research based environment dedicated to solving our clientele’s unique investment management needs. We feel our delivery of custom problem solving demanded by our clientele is only achieved through consistent, close and thoughtful interaction with our clientele. Our investment strategies are founded upon proprietary asset allocation models built upon the principles of modern portfolio theory, academic research, and quantitative economic models. We favor a long term approach utilizing non- correlating asset classes, both foreign and domestic as well as customized hedging strategies. We advise on a broad range of financial instruments. Our equity, debt and financial derivative recommendations are derived from fundamental, technical and historic financial analysis.

### *Portfolio Management Services*

Della Parola provides ongoing discretionary and non-discretionary portfolio management services to various types of clients. When providing portfolio management services, the firm not only makes recommendations related to investments, but also implements these recommendations and provides ongoing monitoring and reporting. Clients may elect to give the firm discretion to make all decisions (discretionary management), or may prefer to approve all decisions before implementation (non-discretionary management). Client accounts are managed in accordance with each particular client’s individual needs, return objectives, and risk tolerance.

Although clients are responsible for notifying us of any changes to their financial situation or investment objectives, we will sometimes contact a client for the specific purpose of assessing whether the client’s financial situation or investment objectives have changed, or if the client would like to impose and/or modify any reasonable restrictions on the management of their accounts.

Della Parola manages accounts on an individualized basis and may manage investments for other clients and give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions we take for you.

Della Parola currently provides investment advisory services to the following private investment funds: Della Parola Partners, LP, Della Parola Partners Offshore, Ltd. and Della Parola Partners Master, LP (each, a “Private Fund” and, collectively, the “Private Funds”). Della Parola Partners, LP and Della Parola Partners Offshore, Ltd invest into Della Parola Partners Master, LP which serves as the trading vehicle (also known as a “master-feeder investment structure”). Investors in the Private Funds are typically high net worth individuals and/or

institutional investors.

Della Parola currently provides investment advisory services to Della Parola Risk Optimized Equity Fund (the “Mutual Fund”), a series of M3Sixty Funds Trust, an open-end management investment company registered with the SEC as required by the Investment Company Act of 1940, as amended,

The investment objectives, strategies and restrictions of each of the Private Funds and the Mutual Fund are described in their respective offering documents. Investors in the Private Funds and the Mutual Fund cannot generally place investment restrictions on Della Parola and may not tailor our advisory services to their individual needs.

#### *Investment Advisory Services*

Della Parola provides investment advisory services to various types of clients. When providing investment advisory services, the firm makes recommendations related to investments, but does not implement such recommendations. Della Parola may or may not provide ongoing monitoring and reporting depending on the engagement. Recommendations are made in accordance with each particular client’s individual needs, return objectives, and risk tolerance. Clients are responsible for notifying us of any changes to their financial situation or investment objectives.

Della Parola provides advice on an individualized basis and may manage investments for other clients and give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you.

#### *Sub-Advisory Services*

Della Parola offers both investment management and investment services to non-affiliated investment advisory firms on a sub-advisory basis.

When providing investment management services on a sub-advisory basis, these entities delegate all or part of their investment management responsibilities to Della Parola. Della Parola is then responsible for making asset allocation and investment decisions for the managed accounts, and for executing and monitoring settlement of trades related to those investment decisions. Although Della Parola would be granted discretionary authority over managed accounts, the advisory firm may limit or provide instructions to Della Parola as to investment decisions, but must do so in writing.

Investment strategies used for management of sub-advised accounts are similar to those strategies used in Della Parola’s own accounts.

When providing investment advisory services on a sub-advisory basis, Della Parola is not granted management responsibilities. In these instances, Della Parola is responsible for providing asset allocation and investment recommendations, but is not responsible for executing and monitoring settlement of trades related to those recommendations.

Please see Item 8 (Methods of Analysis, Investment Strategies, and Risk of Loss) for more information.

As of December 31, 2016, Della Parola managed approximately \$64 million in assets on a discretionary basis and \$56,000 in assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

Fees for the services listed in Item 4 are detailed below. All fees are negotiable.

### **Fees for Portfolio Management Services**

The fees we charge for Portfolio Management Services vary depending on the type of engagement and type of account. For our basic fee arrangement, fees are calculated by multiplying a fixed rate by the amount of assets under management. For our performance fee arrangement, available to qualified clients only, fees are calculated at a lower fixed rate, but a separate performance fee is added.

Our annual fee under our basic fee arrangement is 1.50% of assets under management (AUM) calculated daily in arrears and billed monthly in advance if the value of account is below \$2,000,000. Our fee for Separately Managed Accounts (SMA) is 1.0% .

Fees are generally billed monthly in advance based on the daily value of the account during the previous month.

#### *Separately Managed Accounts*

Fees are generally deducted directly from the client's account, but Della Parola may permit invoice payment in limited instances. For clients that pay directly, payment is due within thirty (30) days after receipt of the billing statement from Della Parola. The custodian will send client statements to managed accounts at least quarterly showing all disbursements from the account including the amount of any advisory fee deducted directly from the account.

Either party (i.e. the client or Della Parola) may terminate an investment management agreement at any time by providing written notice to the other party. If services are terminated within five (5) business days of executing the agreement, services will be terminated without penalty and any pre-paid fees shall be refunded. In the event a client terminates services, termination shall be effective from the time we receive written notification or such other time as may be mutually agreed upon, subject to the settlement of transactions in progress and the final payment or refund of advisory fees. In the event we terminate the relationship, the agreement will be terminated on the (15th) fifteenth day after written notification is delivered to the client or such time as may be mutually agreed upon, also subject to the settlement of transactions in progress and the final payment or refund of advisory fees. There will be no penalty charge upon termination any pre-paid quarterly fees will be refunded on a pro-rated basis to the effective date of termination.

Brokerage commissions and/or transaction ticket fees charged by the custodian will be billed directly to the client. We will not receive any portion of such commissions or fees from the custodian or client. In addition, you may incur certain charges imposed by third parties other than Della Parola in connection with investments made through the account, including but not limited to, IRA and qualified retirement plan fees. Management fees charged by us are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus.

#### *Private Funds*

Della Parola charges a monthly fee with respect to each Private Fund investor of .375% of that investor's capital account balance (approximately 1.5% per year). Additionally, Della Parola's affiliate, Della Parola Capital GP, LLC (the "General Partner") receives a performance-based compensation with respect to each investor of 20%

of the amount by which profits (including realized and unrealized gains and losses) otherwise allocable to that investor in the applicable measurement period exceed that investor's Unrecouped Losses.

An investor's "Unrecouped Losses" are all losses allocated to that investor in a fiscal year reduced (but not below zero) by all profits allocated to that investor in that fiscal year or in any subsequent fiscal year. This is what is sometimes referred to as a "high water mark." The performance allocation is made with respect to each investor at the end of each fiscal year (and on withdrawals by or distributions to an investor during a fiscal year). Della Parola may reduce or waive the management fee and/or the performance allocation to certain investors.

Della Parola charges all applicable fees from the Private Fund's assets. The management fee is charged on a quarterly basis in advance, whereas the performance allocation is charged on an annual basis in arrears. The Private Fund (ultimately each investor to the extent of its proportionate ownership of the Private Fund) bears all costs of its operation, including costs of its investment program (such as brokerage, banking and custody charges, interest, taxes, telecommunications and postage), as well as professional fees of its auditors and attorneys. Della Parola bears its own operating, general, administrative and overhead costs and expenses, other than the expenses described above.

If an investor is allowed to redeem its capital balance from the Private Fund during a time other than the end of a calendar quarter, Della Parola may at its sole discretion reimburse pro rata share of fees charged in advance. Similarly, the performance allocation is calculated and charged with respect to an investor redeeming his capital account at any time other than the end of a calendar year on the basis of net profits allocated to such investor through the withdrawal date.

#### *Mutual Fund*

The Mutual Fund compensates Della Parola for the provision of services in accordance with investment advisory agreements approved by the Board of Trustees of the Mutual Fund. Advisory fees are calculated separately for the Mutual Fund at a specified annual percentage of the Mutual Fund's average daily net assets. Further information is available in the Mutual Fund's Prospectus and Statement of Additional Information ("SAI"). These documents are available by contacting Della Parola at 970.372.4758.

#### **Fees for Investment Advisory Services**

Fees charged for advisory services may be charged in advance or in arrears depending on the service provided. Fees are quoted in advance and are negotiable. Fees are based on actual services provided rather than being based on the level of assets managed as detailed above for investment management services.

In some cases, fees may be deducted directly from client accounts, but clients generally are billed directly on a quarterly basis.

Services may be terminated at any time by either party with 30 days written notice to the other party, and fees will be prorated accordingly. Any payments made in advance will be prorated and refunded to the client. However, if a client has not received this Brochure at least 48 hours prior to signing a client agreement, the agreement may be terminated within five business days of signing and no advisory fees will be charged by Della Parola.

All advisory fees paid to Della Parola are separate and unrelated to any fees or expenses assessed by any broker, custodian, or other outside party.

#### **Fees for Sub-Advisory Services**

Fees charged for discretionary management services provided pursuant to a sub-advisory agreement are negotiable based on the individual engagement, the type of strategy used, and other factors. Fees are generally based on assets under management and may also include performance incentive compensation.

Fees charged for investment advisory services provided pursuant to a sub-advisory agreement are negotiable based on the individual engagement and are generally asset based.

Fees for investment management or advisory services may be charged in advance or in arrears depending on the structure of the engagement. Fees for investment management services may either be deducted directly from managed accounts or billed directly to the advisory firm, depending on the engagement. Fees for investment advisory services are generally billed directly to the advisory firm.

Termination provisions vary and are negotiated on a case-by-case basis.

All management or advisory fees paid to Della Parola are separate and unrelated to any fees or expenses assessed by any broker, custodian, or other outside party.

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

Della Parola may in some instances agree to performance-based fees (fees based on a share of capital gains on, or capital appreciation of, the assets of a client).

Consequently, Della Parola may simultaneously manage both performance fee-based accounts as well as non-performance fee-based accounts. Performance-based fees may create an incentive for an adviser or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee. Such fee arrangements also create an incentive to favor higher fee paying clients over other clients in the allocation of investment opportunities. To address these conflicts of interest, Della Parola implements policies and procedures to ensure that all clients receive equitable and fair treatment over time with respect to the allocation of investment opportunities.

### **Item 7 – Types of Clients**

Della Parola offers portfolio management and investment advisory services directly to individuals, high net worth individuals, investment companies, pooled investment vehicles and corporations.

With limited exceptions, Della Parola requires a minimum account size of \$2,000,000 of assets under management. We will accept individual portfolios of no less than \$100,000 per account. All portfolios relationships will be managed in accordance with the investment policy statement between Della Parola and the client based on the minimum account size stated above.

The minimum investment in the Private Fund is \$1,000,000, although Della Parola may accept investments in a lesser amount at its sole discretion.

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

Della Parola's general investment strategy, consistent with the tenets of tactical asset allocation strategies, is to attempt to reduce risk and volatility by building diversified portfolios using proprietary asset allocation models.



To implement this strategy, Della Parola primarily uses academic research, quantitative economic models, fundamental security analysis, information from outside investment research firms, information from financial newspapers and magazines, and other forms of analysis as the basis for forming its investment strategies.

While we favor a long term approach, we may also consider short term purchases, as well as margin, options, and customized hedging strategies. We structure portfolios utilizing many non-correlating asset classes, and consequently may consider a broad range of financial instruments, both foreign and domestic.

Investing in securities involves risk of loss that clients should be prepared to bear. Such risks include market risk, interest rate risk, currency risk, and political risk, among others. Certain trading strategies can affect investment performance through increased brokerage and other transactions. Each client's propensity for risk, however, is thoroughly evaluated, documented, and considered throughout the portfolio implementation process.

No investment strategy can assure a profit or avoid a loss.

The investment strategy summarized above represents Della Parola's current intentions, is general in nature and is not intended to be exhaustive.

### **Risks Relating to Investments**

DELLA PAROLA'S INVESTMENT STRATEGY INVOLVES A HIGH DEGREE OF BUSINESS AND FINANCIAL RISK THAT CAN RESULT IN SUBSTANTIAL LOSSES AND IS SUITABLE ONLY FOR INVESTORS PREPARED TO BEAR SUCH RISK. THE RISK FACTORS BELOW ARE NOT INTENDED TO BE EXHAUSTIVE. PROSPECTIVE INVESTORS SHOULD CAREFULLY REVIEW THE RISKS DESCRIBED IN THE GOVERNING DOCUMENTS SUCH AS PRIVATE FUND'S OFFERING DOCUMENTS, INVESTMENT MANAGEMENT AGREEMENT FOR SEPARATELY MANAGED ACCOUNT CLIENTS AND THE MUTUAL FUND'S PROSPECTUS AND STATEMENT OF ADDITIONAL INFORMATION.

General Investment Risk. An investment with Della Parola should not be regarded as a complete investment program and should be considered solely by investors prepared to experience possible short-term volatility and fluctuations in value.

Overall Investment Risk. All securities investments risk the loss of capital. The nature of the securities, instruments, derivatives and investments to be purchased and traded by Della Parola and the investment techniques and strategies employed by Della Parola may increase this risk. Many unforeseeable events, including actions by various government agencies, and domestic and international economic political development, may cause sharp market fluctuations which could adversely affect Client accounts. There can be no assurance that the investments or investment techniques employed by Della Parola will achieve the stated investment objective or that client portfolios will be profitable. There can be no assurance that the clients will not incur losses.

Short Sales. Della Parola may engage in short sale transactions. Short Sales, in certain circumstances, can substantially increase the impact of adverse price movements on the portfolio. A short sale of a security involves the risk of a theoretically unlimited loss from a theoretical unlimited increase in the market price of the security that could result in an inability to cover the short position. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase.

Hedging Transactions. Della Parola may utilize financial instruments, both for investment purposes and for risk management purposes in order to (i) protect against possible changes in the market value of the investment portfolios resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect clients' unrealized gains in the value of its investment portfolios; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the clients' portfolios; (v) protect against any increase in the price of any securities Della Parola anticipates purchasing at a later date; or (vi) for any other reason that Della Parola deems appropriate. Della Parola will not be required to hedge any particular risk in connection with a particular transaction or its portfolios generally.

Counterparty Risk. Della Parola will be subject to various counterparty risks. For example, Della Parola may affect a portion of its transactions in "over-the-counter" or "interdealer" markets or through private transactions. The participants in such markets and the counterparties in such private transactions are typically not subject to credit evaluation and regulatory oversight as are members of "exchange based" markets. This may expose clients to the risk that a counterparty will not settle a transaction because of a credit or liquidity problem, thus causing clients to suffer losses. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where Della Parola has concentrated its transactions with a single or small group of counterparties.

Risk of Sector Concentration. Although Della Parola will seek to ensure that client portfolios are diversified across a broad range of securities, the exposure of portfolios may be concentrated in specific industry groups and the aggregate return may be substantially adversely affected by the unfavorable performance of the overall sector relative to performance of the individual securities.

Model Risk. The portfolio consists of stocks in the S&P 500. Because they are included in the S&P 500 index, they are large, liquid, and well-known companies. Over time the values of these companies will increase and decrease and there is no guarantee of a positive return over a particular period of time.

The performance of the portfolios is linked to the models that forecast the direction of the market in the upcoming months. There can be no assurance, however, that the long and short positions will always correlate with economic and financial conditions and negative returns may be generated.

Economic and Financial Market Risk. As domestic and global economic and financial markets change over time the efficacy of the original models may diminish. For this reason Della Parola continually evaluates and adjusts the model used to forecast the risk environment, the sector rotation model and the stock selection model.

Market Risk. The return on the investments, which may be positive or negative, is affected by a variety of market and economic factors, such as financial, political, economic, regulatory, interest rate, and volatility that affect the stocks in the portfolio. Changes in these factors cannot be predicted and unexpected changes may have negative affect on the returns of the client portfolios.

Sector Rotation Models Risk. Sector rotation is a strategy that selects investments in different economic sectors as the economy and the financial markets change over time. Della Parola implements a strategy based on a sophisticated econometric model. The three to five sectors that are expected to perform most favorably over the next quarter are identified and capital is allocated equally to each selected sector. Capital is reallocated from one sector to another as changes occur over the economic and business cycle. There can be no assurance that the financial performance of the selected sectors will perform as expected in all circumstances.

Stock Selection Models Risk. Della Parola's bottom-up equity screening model selects securities from the S&P 500 Index that are in the selected sectors. Each security is equally weighted within its sector. As with the sector

selection process, there is no guarantee that the stocks selected in the aggregate will generate positive returns.

Downside Capture Risk. The downside capture measure indicates how correlated a portfolio is to the market when the market declines. Lower downside capture preserves wealth during market downturns. Della Parola limits downside capture through its use of short positions in the SPY ETF. While Della Parola believes its strategy will limit downside capture, it cannot be guaranteed.

Drawdown Risk. Maximum drawdown measures the percentage drop in cumulative return from a previous high. Portfolios that minimize drawdown preserve investor's wealth. Della Parola's models that forecast risk environment causes the portfolios to short futures when a down market is expected. Short positions in the SPY ETF will mitigate drawdown risk in bearish markets. However, assurance cannot be given that a substantial drawdown will not occur.

## **Management Risks**

Investment Advisory Fee and Performance-Based Fee. The existence of the annual management fee and performance based fee may create an incentive for Della Parola to make more speculative investments for the clients than it would otherwise make in the absence of such fee structure.

Material, Non-Public Information. Della Parola, its affiliates, officers, directors and employees may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities or other assets. Any of the foregoing persons or entities will not be free to act upon any such information. Due to these restrictions, Della Parola (whether or not in actual possession of material, non-public information) may not be able to initiate a transaction that it might otherwise have initiated and may not be able to sell an investment that it otherwise might have sold.

Portfolio Turnover. Della Parola's activities may involve investment on the basis of various short-term market considerations. The turnover rate of the portfolio may be significant. Portfolio turnover generally involves substantial brokerage commissions and fees and other transactional costs to the clients.

Key Personnel of the Investment Advisor. Client accounts' success will depend substantially on the skill and acumen of key employees of Della Parola. If key employees should cease to participate in Della Parola's business, clients ability to select attractive investments and manage portfolios could be impaired.

## **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 the evaluation of the firm or the integrity of its management. Della Parola is currently not subject to, nor has ever been subject to, any legal or disciplinary events of a material nature.

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

Della Parola Partners GP, LLC is a related person of Della Parola that serves as general partner to Della Parola Partners, LP and Della Parola Partners Master, LP ("Master Fund"). This relationship creates an incentive for Della Parola to make investment allocations in the Master Fund that are riskier or more speculative than would be the case if the general partner did not receive incentive based compensation from the Master Fund for serving as general partner to the Master Fund.

David Mascio, the firm's Managing Principal and Chief Investment Officer, is an Adjunct Professor at

Colorado State University College of Business. Hong Miao, Principal and Chief Risk Officer, is an Associate Professor at Colorado State University. These activities represent relatively little of each individual's time and do not create actual conflicts of interest.

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

Della Parola has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. Our Code of Ethics describes the firm's fiduciary duties and responsibilities to clients, and details practices for reviewing the personal securities transactions of supervised persons with access to client information. The Code also requires compliance with applicable securities laws, addresses insider trading, and details possible disciplinary measures for violations. We will provide a complete copy of our Code of Ethics to any client upon request to the Chief Compliance Officer.

Della Parola Partners GP, LLC (General Partner), the general partner of the Private Fund is under common control with Della Parola. General Partner is entitled to receive a performance fee as described in Item 5.

#### **Affiliate and Employee Personal Securities Transactions Disclosure**

Individuals associated with Della Parola are permitted to buy or sell securities for their personal accounts identical to or different than those recommended to clients (subject to a blackout period). However, no person is allowed to favor his or her own interest over that of a client or make personal investment decisions based on the investment decisions of advisory clients.

In addition, Della Parola retains records of employee personal securities activities for monitoring purposes.

### **Item 12 – Brokerage Practices**

Although not all investment advisors require the use of a specific broker/dealer, for compliance and operational efficiency purposes, we require all clients who wish for Della Parola to manage their account to open such accounts through approved custodial relationships with the firm. For accounts managed pursuant to a sub-advisory agreement, brokers and custodians are selected by the primary advisory firm.

When recommending brokers or custodians for its clients, Della Parola considers many different factors including quality of service, services offered, execution quality, transaction costs, reputation of the firm, financial resources, jurisdiction registration status, and stability, among others. In determining the reasonableness of a broker's compensation, we consider the overall cost to our clients relative to the benefits received, both directly and indirectly, from the broker.

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

Our clients receive various services directly from our custodian. For our clients' accounts that our custodian maintains, the custodian generally does not charge separately for custody services but instead is compensated by charging commissions or other fees on trades that they execute or trades that are executed by other brokers to and from the custodial accounts. Della Parola's relationship to the custodian and its relationship to the client are entirely independent of trade commission assessed by the custodian in client accounts. In some cases custodians will charge an assets undermanagement fee instead of trading commissions. These fees are independent of Della Parola.

Since our custodian charges a fee for each trade that we have executed by a different broker-dealer, we have the custodian execute most trades for client accounts in order to minimize trading costs.

We have determined that having the custodian execute most trades is consistent with our duty to seek “best execution” of client trades. Best execution means seeking the most favorable terms for a transaction based on all relevant factors, including those listed above.

### **Products and Services Available to Us from Broker/Custodian**

Our custodian provides us and our clients with access to its institutional brokerage services like trading, custody, reporting, and related services, many of which are not typically available to retail customers. Our custodian also makes available various support services, some of which may help us manage or administer our clients’ accounts, while others may help us manage and grow our business.

Our custodian’s institutional brokerage services which benefit our clients directly include access to a broad range of investment products, execution of securities transactions, and asset custody. The investment products available through our custodian include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients.

Our custodian also makes available other products and services that benefit us but may not directly benefit our client or their account. These products and services assist us in managing and administering our clients’ accounts. They include investment research, both the custodian’s own and that of third parties. We may use this research to service all or a substantial number of our clients’ accounts, including accounts not maintained at the custodian. In addition to investment research, the custodian also makes available software and other technology that provide access to client account data, facilitates trade execution for multiple client accounts, provides pricing and other market data, facilitates payment of our fees from our clients’ accounts, and assists with back-office functions, recordkeeping, and client reporting.

Our custodian also offers other services intended to help us manage and further develop our business. These services include educational conferences and events, consulting on technology, compliance, legal, and business needs, publications and conferences on practice management and business succession, and access to employee benefits providers, human capital consultants, and insurance providers.

The availability of these services from our custodian benefits us because we do not have to produce or purchase them. Of course, this may give us an incentive to recommend that a client maintain their account with our custodian based on our interests rather than their best interest. We believe, however, that our selection of our custodian is in the best interests of our clients, and is primarily supported by the scope, quality, and price of our custodian’s services and not those services that benefit only us.

### **Trade Errors**

Based on industry practice and SEC guidance to broker-dealers, a trade error under our trade error policy is defined as including:

Inaccurate transmission or execution of any term of an order including, but not limited to: price; number of shares or other unit of trading; identification of the security; identification of the account for which securities are purchased or sold; short sales that were instead sold long or vice versa; or the execution of an order on the wrong side of a market;

- Unauthorized (because of misunderstanding or mistake) or unintended purchase, sale or allocation of

securities, or the failure to follow specific client instructions; and

- Incorrect entry of data into relevant systems, including reliance on incorrect cash positions, withdrawals or securities positions reflected in an account.

Although Della Parola has implemented procedures designed to prevent trade errors, trade errors in client accounts can occasionally occur. Consistent with our fiduciary duty, it is our policy to correct trade errors in a manner that we believe is fair for affected client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. In all situations where you do not cause the trade error, you will be made whole and any loss resulting from the trade error will be absorbed by us if the error was caused by the firm. If the error is caused by the broker-dealer, the broker-dealer will be responsible for covering all trade error costs.

### **Aggregation of Client Orders-Block Trading Policy**

Transactions we implement for client accounts are generally affected independently, unless the Firm decides to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by the Firm when we believe such action may prove advantageous to clients. When we aggregate client orders, the allocation of securities among client accounts will be done on what we feel is a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among the Firm's clients in proportion to the purchase and sale orders placed for each client account on any given day.

### **Item 13 – Review of Accounts**

The frequency of review of account holdings can vary depending on the type of account, the investment strategy employed, the types of securities held, and market conditions. Generally, account holdings are evaluated on an ongoing basis by Della Parola to help ensure consistency relative to the investment strategy employed and the client's individual needs and objectives.

Direct clients will receive statements at least quarterly from the account custodian and may receive performance related reports from Della Parola at the firm's discretion. Reports for sub-advisory clients vary depending on the engagement.

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

We do not directly or indirectly compensate outside parties for client referrals.

Della Parola receives economic benefits from our custodians in the form of the support products and services that are made available to us and to other independent investment advisors. These products and services and how they benefit us are described in Item 12 above. The availability of our custodian's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

### **Item 15 – Custody**

For separately managed account clients, Della Parola does not hold client funds or securities, but instead

requires that they be held by a third party custodian. We may, however, have limited control in some instances to trade on a client's behalf, to deduct our advisory fees from a client's account with authorization, or to request disbursements to clients.

All clients will receive account statements directly from their custodian at least quarterly, which will be sent to the email or postal mailing address provided. We urge clients to carefully review these custodial statements when received.

Due to affiliation between the general partner and Della Parola, we are deemed to have custody of the Private Fund's assets. Private Fund assets are maintained with a qualified custodian and all Private Fund investors annually receive financial statements audited by a PCAOB registered accounting firm. Private Fund investors are urged to carefully review these statements.

### **Item 16 – Investment Discretion**

Clients (including sub-advisory clients) may grant Della Parola the authority to determine what securities will be purchased, retained or sold in the client's account. Any discretionary authority accepted, however, is subject to the client's risk profile and investment objectives, and may be limited by any other limitations provided by the client in writing.

Della Parola will not exercise any discretionary authority until it has been given authority to do so in writing. Such authority is granted in the written agreement between Della Parola and the client, and in the written agreement with the third party custodian.

With respect to the Private Fund, Della Parola exercises discretion in managing the investments of the Private Fund based on the Private Fund's investment objectives, policies, and strategies disclosed in its offering documents. Della Parola, under an investment management agreement entered into among Della Parola, the General Partner and the Private Fund, has full investment discretion.

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

With respect to the managed account clients, we do not vote proxies on behalf of advisory clients. We may, however, at our discretion provide advice to clients regarding voting of proxies.

Our clients retain the responsibility for receiving and voting proxies for any securities maintained in their portfolios. Generally we are authorized to instruct account custodians to forward to the client copies of all proxies and shareholder communications relating to account assets.

With respect to the Private Fund, Della Parola follows a proxy voting policy to further the best interest of the Private Fund. The policy establishes a mechanism to address any conflicts of interests between Della Parola and the Private Fund. Further, the policy establishes how Private Fund's underlying investors may obtain information on how the proxies have been voted. Della Parola determines how to vote after studying the proxy materials and any other materials that may be necessary or beneficial to voting. Della Parola votes proxies in a manner that it believes reasonably furthers the best interests of the Private Fund and their investors and is consistent with the investment philosophy as set forth in the Private Fund offering documents. If a proxy vote creates a material conflict between the interests of Della Parola and the Private Fund, Della Parola will resolve the conflict before voting the proxies. Della Parola will take steps designed to ensure that a decision to vote the proxy was based on the Della Parola's determination of the Private Fund's best interest and was not the product of the conflict. Della Parola maintains records of all proxy votes that are made on behalf of its clients.

## **Item 18 – Financial Information**

Registered investment advisers are required in some cases to provide certain financial information and/or disclosures about their financial condition. For example, if the firm requires prepayment of fees of more than \$1,200 per client for six months in advance, has custody of client funds, or has a condition that is reasonably likely to impair its ability to meet its contractual commitments to its clients, it must provide financial information and make disclosures.

Della Parola does not require prepayment of fees of more than \$1,200 for six months in advance, does not accept custody of client funds, and has no other financial or operating conditions which trigger such additional reporting requirements.

The Adviser has not been the subject of a bankruptcy proceeding at any time.

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