

# **GM ADVISORY GROUP, INC.**

## **Wrap Fee Program Brochure**

**Dated: April 2017**

**400 Broadhollow Road, Suite 301**

**Melville, NY 11747**

**(631) 227-3900**

**[www.gmadvisorygroup.com](http://www.gmadvisorygroup.com)**

This wrap fee program brochure provides information about the qualifications and business practices of GM Advisory Group, Inc ("GMAG"). If you have any questions about the contents of this Brochure, please contact GM Advisory's Chief Compliance Officer ("CCO"), Margaret Iamunno at 631-227-3900 or by e-mail [miamunno@gmadvisorygroup.com](mailto:miamunno@gmadvisorygroup.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about GM Advisory Group, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

**Since the last annual update of our brochure 3/31/2016**

- **Effective November 4, 2016, Margaret Iamunno has been appointed Chief Compliance Officer.**
- **Effective October 26, 2016, GM Advisory Group has established an office at 375 Park Avenue, 21st Floor, New York, NY 10152.**

### Item 3: Table of Contents

---

Item 2: Material Changes.....	2
Item 3: Table of Contents .....	3
Item 4: Services Fees and Compensation .....	4
Item 5: Account Requirements and Types of Clients.....	6
Item 6: Portfolio Manager Selection and Evaluation.....	6
Item 7: Client Information Provided To Portfolio Managers .....	15
Item 8: Client Contact with Portfolio Managers .....	15
Item 9: Additional Information .....	15

---

## Item 4: Services Fees and Compensation

### Separately Managed Account Clients

We primarily provide discretionary investment management services to our managed account Clients on a wrap fee basis. Clients in the Wrap Fee Program pay a single specified annual fee, inclusive of execution, custody, performance reporting, and investment management fees.

GMAG has personal discussions with its Clients in which goals and objectives based on their particular circumstances are determined. We develop a Client's investment policy and create and manage a portfolio based on that policy, consisting of one or more of the following: individual equities, bonds, exchange traded funds, no-load or load- waived mutual funds, or other investment vehicles. Each of our Clients individually owns the securities in the individual portfolio.

### Wrap Fee Program Fees

GMAG charges an annual "wrap-fee" for participation in the Program. The wrap-fee will be charged as a percentage of assets under management, as follows:

Assets Under Management	Annual % Fee
Initial \$500,000	2.00%
Next \$500,000	1.75%
Next \$1,000,000	1.25%
Next \$2,000,000	1.00%
Next \$4,000,000	0.75%
All Additional	0.50%

The wrap-fee includes all advisory and brokerage costs (including transaction costs), quarterly performance reports, third party custodial fees, exchange fees and transfer taxes.

**Fee Differentials:** In certain circumstances, GMAG, in its sole discretion, may charge a different wrap fee (higher or lower) based upon certain criteria (i.e., complexity of the engagement, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). Certain Program clients may be subject to different fee schedule that was established prior to the registration of GMAG.

**Fee Calculation:** The fee charged is calculated as described above and is not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client, pursuant to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (hereinafter the "Act").

**Fee Payment:** Clients will be charged in advance at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value, plus any credit balance or minus any debit balance), of the client's account at the end of the previous quarter. Fees are prorated for accounts opened during the quarter. An additional fee for the current quarter will be assessed if assets are deposited after the beginning of the quarter, prorated based on the number of calendar days remaining in the quarter during which

the service will be in effect. No portion of the fee will be credited to the client for the current calendar quarter should any withdrawals from the portfolio occur in the same calendar quarter.

**Termination of Advisory Relationship:** A client agreement may be canceled at any time, by either party, for any reason upon receipt of prior written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five (5) business days after entering into the agreement.

**Mutual Fund Fees and Expenses:** If a wrap fee client invests in mutual funds or exchange traded funds, they may be charged fees and expenses by such funds that are separate and distinct from the Program Fee. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. Clients are not restricted from investing in mutual or exchange traded funds directly, without the services of GMAG, however in that event they would not receive the services provided by GMAG which are designed, among other things, to assist the client in determining which mutual or exchange traded funds are most appropriate to each client's financial condition and objectives. Accordingly, clients should compare the fees charged by the funds (available in each fund's prospectus) and the fees charged by GMAG to fully understand the total amount of fees to be paid by the client and thereby evaluate the advisory services GMAG provides

**Miscellaneous Fees:** The Program Fee does not include certain charges and administrative fees, including, but not limited to, transaction charges (excluding mark-ups and mark-downs) resulting from trades effected through or with a broker-dealer other than Pershing or Schwab (who generally provide execution, reporting, and custodial services for the Wrap Fee Program), transfer taxes, odd lot differentials, exchange fees, interest charges, American Depository Receipt agency processing fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law or otherwise agreed to with regard to client accounts. Such fees and expenses are in addition to the Program's wrap fee.

**Purchasing Services Separately:** Execution, reporting, and custodial services for the Wrap Fee Program are generally provided by Pershing Advisor Solutions, LLC ("**Pershing**"), and /or Schwab Advisor Services division of Charles Schwab & Co., Inc. ("**Schwab**"). Additionally, Wrap Fee Program accounts are generally maintained at Pershing and Schwab. Prior to engaging GMAG to provide investment management services under the Wrap Fee Program, each client will be required to enter into a formal investment advisory agreement with GMAG setting forth the terms and conditions under which GMAG shall manage each such client's assets, and a separate custodial/clearing agreement with the Wrap Fee Program broker- dealer and custodian (generally Pershing and Schwab). In as much as GMAG will pay to the broker -dealer and custodian the transaction/execution costs associated with equities transactions, a potential disincentive to trade securities may be presented. When beneficial to the client, as determined by GMAG in its sole discretion, individual equity and fixed income transactions may be affected through broker- dealers with whom GMAG has entered into arrangements for prime brokerage clearing services.

Participation in the Wrap Fee Program may cost more or less than purchasing such services separately. Depending upon the percentage wrap fee charged by GMAG, the amount of portfolio activity in a client's account, and the value of custodial and other services provided with respect to such client's account, the wrap fee charged to such client may or may not exceed the aggregate cost of the services provided to such client if such services were provided separately or if GMAG were to negotiate transaction fees and seek best price and execution of transactions for such client's account. In addition, the fees charged by GMAG for participation in the Wrap Fee Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs.

## **Financial Planning & Similar Fees**

From time to time GMAG provides certain financial planning and advisory services to its clients on non-investment related matters. Although GMAG generally considers these services, in its sole discretion, incidental to the services it provides under the Wrap Fee Program, GMAG may determine to provide such services primarily on a fixed fee or hourly basis, separate and apart from the Wrap Fee Program. In that event, and in GMAG's sole discretion, GMAG may set forth and describe the provision of such financial consulting services (including the fees charged in connection therewith) in a separate agreement between GMAG and any applicable clients. Such agreements may include, without limitation, financial planning agreements and limited consulting agreements, each of which set forth the terms and conditions of the engagement, including by describing the scope of the services to be provided and the portion of the fee that is due from a client prior to GMAG commencing the applicable services. GMAG's obligations are expressly limited to the planning and consulting services specifically requested by each client and agreed to by GMAG.

---

## **Item 5: Account Requirements and Types of Clients**

GMAG imposes no requirements to open or maintain an account under the Wrap Fee Program. Wrap Fee Program clients are not required to place a minimum amount of assets with a portfolio manager and they are not required to maintain a minimum account size.

GMAG generally provides investment advice to individuals, high net worth individuals, trusts, estates, charitable organizations, and business entities.

---

## **Item 6: Portfolio Manager Selection and Evaluation**

GMAG may recommend that a portion of a Client's Program assets be allocated among unaffiliated independent investment managers and/or separately managed accounts in accordance with the Client's designated investment objective(s). In such situations, the independent manager(s) or separately managed account managers shall have day-to-day responsibility for the active discretionary management of the allocated Program assets.

GMAG shall continue to render investment supervisory services to the Client relative to the ongoing monitoring and review of account performance, asset allocation and Client investment objectives. Factors which GMAG shall consider in recommending independent manager(s) or separately managed accounts include the Client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

GMAG acts as the portfolio manager for the Program. In as much as the execution costs for transactions effected in the Client account[s] will be paid by GMAG, a potential conflict of interest arises in that we may have a disincentive to trade securities in the Client's account[s]. In addition, the amount of compensation received by GMAG as a result of the Client's participation in the Program may be more than what we would receive if the Client paid separately for investment advice, brokerage and other services.

GMAG also offers to its Clients, discretionary and/or nondiscretionary investment advisory services, on a non-wrap fee basis, as well as, Financial Planning and Consulting on a stand-alone basis.

## **Advisory Services Offered**

### **Separately Managed Account Clients**

We primarily provide discretionary investment management services to our managed account Clients on a wrap fee basis in accordance with GMAG's investment management wrap fee program (the "Wrap Fee Program"). The services offered under, and the corresponding terms and conditions pertaining to, the Program are discussed in this Brochure, a copy of which is presented to all prospective Program participants along with GMAG's Firm Brochure. Clients in the Wrap Fee Program pay a single specified annual fee, inclusive of execution, custody, performance reporting, and investment management fees.

GMAG has personal discussions with its Clients in which goals and objectives based on their particular circumstances are determined. We develop a Client's investment policy and create and manage a portfolio based on that policy, consisting of one or more of the following: individual equities, bonds, exchange traded funds, no-load or load-waived mutual funds, or other investment vehicles. Each of our Clients individually owns the securities in the individual portfolio.

To the extent, a Client requests financial planning services or financial advice on non-investment related matters, we may provide those services and we may charge additional fees for such services. We may recommend the services of other professionals, including licensed insurance agents; however, our Clients are under no obligation to engage the professionals we recommend. GMAG does not guarantee the services of any recommended professional, and we are not liable for any action, omission, recommendation, decision, or loss as a result of a Client's use of one of these recommended professionals.

### **Financial Planning and Consulting Services**

To the extent requested by a Client, GMAG provides Financial Planning Consulting Services primarily on a fixed fee or hourly basis, separate and apart from the Wrap Fee Program. These services cover the development and management of a financial plan addressing a variety of client needs which may include any or all of the following functions; cash flow planning, business planning, risk management, retirement and wealth preservation planning, tax planning and analysis, charitable giving.

We may recommend the services of other professionals, including licensed insurance agents; however, our Clients are under no obligation to engage the professionals we recommend. GMAG does not guarantee the services of any recommended professional, and we are not liable for any action, omission, recommendation, decision, or loss as a result of a Client's use of one of these recommended professionals.

### **GMAG Diversified Opportunity Fund**

GMAG provides investment advice to the Fund, a fund of funds. The Fund elected to dissolve and terminate as of July 1, 2016. This election was taken with a focus on the best interests and equitable treatment of all Fund Investors. The Fund continues in existence for the sole purpose of strategically and opportunistically returning capital to its current Investors through liquidation. The Fund is no longer raising capital, accepting Investors, or conducting new investment activities. The General Partner, no longer accepts or receives incentive allocations. Information about the Fund, including restrictions imposed on Fund investments, can be found in its offering documents (including its confidential information memorandum) and organizational documents, as amended.

GMAG receives discounted management fees, in connection with the advisory services that it provides to the Fund during the dissolution and liquidation period. These management fees are different from the fees received by GMAG with respect to its managed accounts. Despite its ability to take two management fees, GMAG does not charge its Clients a Program Fee on that portion of their assets that are invested in the GMAG Diversified Opportunity Fund.

### **Customized Services**

GMAG provides customized advisory services to its managed account Clients based upon each Client's unique needs, objectives, and concerns. We clarify Client goals and objectives in meetings and in correspondence, and we use those goals to determine the course of action for each individual Client. We document goals and objectives for each Client. Each Client has the opportunity to place reasonable written restrictions on the types of investments that will be made on their behalf. Unless a Client has advised GMAG in writing to the contrary, GMAG is not subject to restrictions on the management of a particular Client's managed account assets.

### **Wrap Fee Programs**

As mentioned herein, we offer our managed account Clients the option to participate in our Wrap Fee Program. The services offered under, and the corresponding terms and conditions pertaining to, the Program are discussed in this Brochure, a copy of which is presented to all prospective Program participants.

Under the Wrap Fee Program, GMAG offers participants discretionary investment management services for a single specified annual fee, inclusive of execution, custody, performance reporting, and investment management fees. GMAG also offers to a limited number of Clients participation in a non-discretionary wrap fee program.

GMAG receives a portion of the fee for its services. Execution, reporting, and custodial services for the Wrap Fee Program are generally provided by Pershing Advisor Solutions, LLC ("Pershing") or Charles Schwab & Co., Inc. ("Schwab"). The cost of participation in the Wrap Fee Program may exceed the cost of purchasing investment advisory services from other advisers or broker-dealers. In addition, the amount of compensation received by GMAG as a result of a Client's participation in the Wrap Fee Program may be more than the amount that GMAG would receive if that Client paid separately for investment advice, brokerage, and other services. In addition, the fees charged by GMAG for participation in the Wrap Fee Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs. Although most of our managed account Clients choose to participate in the Wrap Fee Program, there is no substantive difference between how we manage wrap fee accounts and how we manage other managed accounts.

### **Performance-Based Fees and Side-By-Side Management**

As mentioned above, the General Partner has waived the incentive allocation of net gain for the calendar year 2016 through the date of dissolution of the GMAG Diversified Opportunity Fund ("the Fund") and GMAG, the Investment Manager, has significantly reduced its management fees commencing July 1, 2016.

As a result, neither GMAG or its supervised persons accepts performance based fees.

GMAG has adopted aggregation and allocation of investments procedures (the "Allocation Procedures"). We will offer Clients the right to participate in all investment opportunities that we determine are appropriate for



the Client in view of relative amounts of capital available for new investments, the investment programs, and the portfolios of our Clients. In accordance with our Allocation Procedures, we will endeavor to treat each of our Clients in a fair and equitable manner.

GMAG may recommend an investment in the Fund to one or more of its managed account Clients, as appropriate, based upon the investment objectives, strategies and suitability of those Clients. GMAG regularly monitors the performance and investment portfolio of its managed accounts and simultaneously manages the investment activities of the Fund. This dual role may result in potential or actual conflicts of interest between the management of the Fund and other business activities. For example, GMAG may determine in its sole discretion to allocate certain investment opportunities to the Fund and not to the managed accounts (or vice versa), or to one or more managed accounts and not to all managed accounts or the Fund. GMAG may also pursue and execute trades in the same or different securities for the Fund and one or more managed accounts at different times.

Those trades may cause two different performance results among the Fund and the managed accounts or amongst the various managed account Clients. GMAG may purchase securities for one or more Client or the Fund at the same time as GMAG sells securities for other Clients of GMAG, or sell securities for a Client or the Fund at the same time as GMAG purchases those securities for other Clients of GMAG. GMAG will attempt to service the individual needs of each of its Clients, including the Fund. Conflicts of interest between a particular Client, the Fund, and other Clients could exist, including a conflict with the allocation of investment opportunities, time and resources among the Fund and the Client.

As noted above, GMAG, as part of an overall Client asset allocation strategy, may recommend that a Client consider allocating a portion of that Client's investment assets among private investment funds. If the Client determines to invest in a private investment fund recommended by GMAG, GMAG may be compensated based upon the value of the assets placed in private investment funds in accordance with the Program Fee schedule. The Program Fee paid to GMAG is in addition to the fees paid to the private investment fund sponsors and managers, as described in the offering documents of any of those private investment funds. Despite its ability to take two fees, GMAG does not charge its Clients a Program Fee on that portion of their assets that are invested in the GMAG Diversified Opportunity Fund. However, GMAG does charge those Clients the Management Fee as discussed above. The decision whether to invest in a fund (including the Fund) always rests with each Client, after that Client has received and reviewed the fund's offering materials (including a confidential private placement memorandum that details, among other items, the terms, risks and conflicts of interest pertaining to an investment in that fund).

## **Methods of Analysis & Investment Strategy**

With respect to managed account Clients, GMAG utilizes a variety of different sources of financial information in connection with its analysis of securities. Those sources include financial publications, inspections of corporate activities, research materials and reports, corporate rating services, annual reports, prospectuses, SEC filings, and company press releases. Research services are received in various forms, which may include, without limitation, written reports and information obtained via electronic sources including the internet. Employees of GMAG also attend industry conferences.

GMAG will review each person or firm that manages a privately placed pooled investment vehicle for which an investment is being considered. They will use one or more of the following methods of due diligence: meetings/ongoing conference calls with such persons and his or her staff; verification of references; background reviews with respect to regulatory matters, education and professional history; reviews of audited

financial statements; and verification of performance claims.

## **Investment Strategies**

### **Managed Account Clients**

The primary investment strategy we use for Client accounts is strategic asset allocation. Asset Allocation is the process for determining a long-term asset allocation that is appropriate for an investor, as well as considering how each asset class will fare in the intermediate-term in relation to its long-term expectations. The first step is to define which asset classes exist and how to categorize the world of investments. Asset classes must be unique, and investable for consideration. We believe there are roughly 15 asset classes that exist today for sophisticated investors. It is also important to classify these asset classes more broadly into groups that investors can understand. We believe all asset classes serve one of three purposes: Growth, Preservation, or Inflation Protection. Any asset class can be classified in one of these categories. By using broad categories that establish a clear goal and objective, we believe investors can better determine their proper allocation among the three groups, and therefore have portfolios that better fit their risk profile.

The investment strategy for a specific Client is based upon the objectives, income needs, and tax situation stated by the Client during consultations. The Client may change these objectives at any time. In performing our services, we are not required to verify any information received from the Client or from the Client's other professionals, and are expressly authorized to rely on information from the Client. Moreover, each Client is advised that it remains his/her/its responsibility to promptly notify GMAG if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising GMAG's previous recommendations and/or services.

### **The GMAG Diversified Opportunity Fund**

The Fund elected to dissolve and terminate as of July 1, 2016. This election was taken with a focus on the best interests and equitable treatment of all Fund Investors. The Fund continues in existence for the sole purpose of strategically and opportunistically returning capital to its current Investors through liquidation. The Fund is no longer raising capital, accepting Investors, or conducting new investment activities. Further to align with the best interests and equitable treatment of all Fund Investors, the General Partner, has waived the incentive allocation of net gain for the calendar year 2016 through the date of dissolution of the Fund. GMAG, the Investment Manager, has significantly reduced its management fees commencing July 1, 2016.

## **Material Risks of Strategies and Securities**

Investing in securities involves a risk of loss that Clients and Investors in the Fund should be prepared to bear. Our investment programs are speculative and may entail substantial risk. Clients or Investors may lose all or substantially all of their investment. There can be no assurance that the investment objective of our Clients and Investors will be achieved and that Clients and Investors will not incur losses. In addition to the risks listed below, Clients should review the respective offering or similar documents of each mutual fund, ETF and other security or instrument in its portfolio or recommended for purchase by us (including the Fund), for a detailed description of risk factors associated with a particular investment or portfolio. We encourage all of our Clients to meet with us on regular basis to review the assets in the account and the specific risk parameters for the account.

### **Managed Account Risks**

An investment with us requires a long-term commitment with no certainty of return. Because of the nature of

our investment programs, we cannot promise that Clients will be able to realize returns on their investments in a timely manner or at all. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains are realized on successful investments. Clients may not get a return of capital or realize any gains on their investments. If they do, those returns or gains may not occur for a substantial period of time after investing with us.

Although we generally limit our investments for Clients to listed securities, mutual funds and exchange-traded funds ("ETFs"), we are not required to diversify our strategies. We may invest in a limited number of strategies or with a limited number of mutual funds and ETFs. In addition, funds that we recommend may invest in underlying funds in the same or similar securities, further limiting the diversification of managed accounts.

We may invest in strategies or markets that underperform as compared to other strategies or securities markets generally. This strategy may cause Client accounts to underperform as compared to other investment vehicles that invest in different asset classes. Different types of securities (for example, large-, mid- and small-capitalization stocks or growth or value stocks) tend to go through cycles of performing better—or worse—than the securities markets generally. In the past, these periods have lasted in excess of several years.

All investments made by us risk the loss of capital. We may utilize such investment techniques as leverage, margin transactions, short sales, option transactions, and forward and futures contracts. These practices can, in certain circumstances, maximize the adverse impact to which Client accounts may be subject. We cannot guarantee or represent that our investment strategy will be successful, and investment results may vary substantially over time.

Changes in interest rates will affect the value of fixed income investments. In general, as interest rates rise, bond prices fall, and conversely, as interest rates fall, bond prices rise. Interest rate risk is generally greater for high yield securities; however, higher-rated fixed income securities are also subject to this risk. Increased interest rate risk is also a factor when investing in fixed income securities paying no current interest (such as zero coupon securities and principal-only securities), interest-only securities and fixed income securities paying non-cash interest in the form of other securities.

The trading prices of equity securities fluctuate in response to a variety of factors. These factors include events impacting a single issuer, as well as political, market and economic developments that affect specific market segments and the stock market as a whole. The value of Client accounts, like stock prices generally, will fluctuate within a wide range in response to these factors. As a result, Client accounts could lose value over short or even long periods.

The value of assets or income from investments may be less in the future as inflation decreases the value of money. As inflation increases, the value of fixed assets can decline. This risk is greater for fixed-income securities with longer maturities.

The issuer or guarantor of a fixed income security may be unable or unwilling to make timely payments of interest or principal. This risk is magnified for lower-rated debt securities, such as high yield securities. High yield securities are considered predominantly speculative with respect to the ability of the issuer to make timely payments of interest or principal. In addition, funds that invest in fixed income securities issued in connection with corporate restructurings by highly leveraged issuers or in fixed income securities that are in default may be subject to greater credit risk because of those investments.

Changes in the financial condition of an issuer or counterparty, changes in specific economic or political

conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can affect a security's or instrument's value. The value of securities or instruments of smaller, less-well known issuers can be more volatile than that of larger issuers. Issuer-specific events can have a negative impact on the value of Client accounts.

Private investment funds are speculative, not suitable for all investors, and intended for experienced and sophisticated investors who are willing to bear the high economic risks of the investment, which can include: loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices, lack of liquidity in that there may be no secondary market for the investment and none is expected to develop, volatility of returns, restrictions on transferring interests in the investment, potential lack of diversification and resulting higher risk due to concentration of trading authority depending on the numbers of advisor(s) utilized, absence of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than mutual funds; and risks associated with operations, personnel, and processes of the manager. Private investment funds may invest in a limited number of strategies, a limited number of direct investments, and with a limited number of portfolio managers

Clients must promptly apprise us of any material changes in their financial condition, or of any other change having a material effect on their investment objectives or goals. If they fail to inform us of any change and we do not modify our strategy to account for these changes, their accounts could suffer, adverse consequences.

### **Managed Account Liquidity Risks**

We may invest our Clients' assets in a blend of liquid, publicly traded mutual funds and ETFs which may, in turn, invest in or be comprised of a variety of securities and other instruments. Certain types of securities, such as non-investment grade debt securities, small capitalization stocks, securities issued by real estate investment trusts, and emerging market securities are subject to the risk that the securities may not be sold at the quoted market price within a reasonable period of time. A managed account holding those securities may experience substantial losses if required to liquidate these holdings.

The mutual funds and ETFs in which we may invest our Clients' assets may, in turn, invest in non-U.S. securities and other financial instruments denominated in non-U.S. currencies. Investments in securities of non-U.S. issuers and securities denominated in non-U.S. currencies pose currency exchange risks to the extent they are not hedged. In addition, foreign securities regulators may exercise less regulatory supervision than those in the United States, and foreign governments may afford less legal protection to the pooled investment vehicles as Investors than that of the U.S. government.

We may invest our Clients' assets in emerging or developing markets. Investments in emerging or developing markets involve exposure to economic structures that are generally less diverse and mature, and to political systems which have less stability than those of more developed countries. Investments in securities in developing market countries are also generally more volatile and less liquid than investments in securities in markets of developed countries. Emerging market securities may be subject to currency transfer restrictions and may experience delays and disruptions in securities settlement procedures. Certain emerging markets are closed in whole or part to the direct purchase of equity securities by foreigners. In addition, fund that invests in foreign securities or securities denominated in foreign currencies may be adversely affected by changes in currency exchange rates, exchange control regulations, foreign country indebtedness and indigenous economic and political developments.

We may invest our Clients' assets in high yield securities. High yield securities, also known as "junk bonds," are

below investment grade quality and may be considered speculative with respect to the issuer's continuing ability to make principal and interest payments. These types of securities may be more susceptible to real or perceived adverse economic and competitive industry conditions than investment grade securities. Yields on high yield securities will fluctuate. The secondary markets in which lower-rated securities are traded may be less liquid than the markets for higher-rated securities. A lack of liquidity in the secondary trading markets could adversely affect the price at which Clients or the funds they own could sell a particular high yield security when necessary to meet liquidity needs or in response to a specific economic event, such as a deterioration in the creditworthiness of the issuer, and could adversely affect and cause fluctuations in the value of Client accounts. Adverse publicity and Investor perceptions may decrease the values and liquidity of high yield securities generally.

We may invest our Clients' assets in real estate investment trusts, or REITs, which may be subject to certain risks associated with the direct ownership of real property, including declines in the value of real estate, risks related to general and local economic conditions, overbuilding and increased competition, increases in property taxes and operating expenses and variations in rental income.

We may recommend for our clients private investment funds where an investor can expect a lack of liquidity in that there may be no secondary market for the investment and none is expected to develop.

## **Fund Risks**

We advise Clients on investments in private investment funds which may be in limited partnerships, limited liability companies, corporations or other entities. As discussed earlier, the GMAG Diversified Opportunity Fund ("the Fund") is no longer raising capital, accepting Investors, or conducting new investment activities.

Private investment funds, such as the Fund, generally involve various risk factors and liquidity constraints, a complete discussion of which is set forth in the private investment fund offering documents. Each prospective Client will be required to complete a subscription agreement to establish qualification for investing in private investment funds and also to acknowledge understanding and acceptance of the merits and risks of the investment.

The performance of a private investment fund will be dependent in part upon the integrity, skill, and judgment of its portfolio managers.

We conduct the amount and depth of due diligence that we believe is adequate to recommend the appropriate portfolio managers with which to invest. However, due diligence is not a guarantee and may not uncover problems associated with a particular portfolio manager or an investment. We may rely upon representations made by hedge fund managers, accountants, attorneys, prime brokers and other investment professionals. If any representation is misleading, incomplete, or false, it may result in the selection of portfolio managers that might otherwise have been eliminated from consideration had complete and accurate information been made available.

The separate Management Fee payable to GMAG based upon the value of the assets placed in private investment funds in accordance with the Program Fee Schedule will result in a layering of fees, which will reduce the rate of return that the Investor will derive from the underlying investments. Despite its ability to take two fees, GMAG does not charge its Clients a Program Fee on that portion of their assets that are invested in the GMAG Diversified Opportunity Fund.

The Fund has invested in certain types of securities, such as non-investment grade debt securities, small capitalization stocks, securities issued by real estate investment trusts, and emerging market securities which are subject to the risk that the securities may not be sold at the quoted market price within a reasonable period of time. A pooled investment vehicle holding these securities may experience substantial losses if it is required to liquidate them.

A portfolio manager of a private investment fund may have an inability to exit underlying funds because of, among other things, poor performance by those underlying funds, regulatory actions or complaints against those underlying funds, or volatility in the markets in which those funds invest. Underlying funds in which a portfolio manager invests have the right to defer or suspend withdrawals in the event those situations arise, or that a suspension is otherwise considered to be in the best interest of those underlying funds. The organizational documents of the underlying funds may impose additional limitations on withdrawal.

Private investments funds are speculative, not suitable for all investors, and intended for experienced and sophisticated investors who are willing to bear the high economic risks of the investment, which can include: loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices, lack of liquidity in that there may be no secondary market for the investment and none is expected to develop, volatility of returns, restrictions on transferring interests in the investment, potential lack of diversification and resulting higher risk due to concentration of trading authority depending on the numbers of advisor(s) utilized, absence of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than mutual funds; and risks associated with operations, personnel, and processes of the manager. Private investment funds may invest in a limited number of strategies, a limited number of direct investments, and with a limited number of portfolio managers.

### **Voting Client Securities**

GMAG does not vote proxies for its managed account clients. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. GMAG and/or the client instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

If GMAG inadvertently receives proxy information for a security held in a managed account client's account, GMAG will immediately forward such information to the appropriate managed account client, but will not, and will not be obligated to, take further action with respect to the voting of such proxy. Upon termination of its agreement with a managed account client, GMAG shall make a good faith and reasonable attempt to forward proxy information received by GMAG on behalf of such managed account client to the forwarding address provided by such client to GMAG.

GMAG affirmatively disclaims responsibility for voting (by proxies or otherwise) on, and will not take any action with regard to, all matters (other than forwarding proxies and proxy information to managed account clients) for which shareholder action is required or solicited with respect to securities beneficially held by a client's managed account, including, without limitation, (i) all matters relating to class actions, including without limitation, matters relating to opting in or opting out of a class and approval of class settlements and (ii) all matters relating to bankruptcies or reorganizations.

---

## **Item 7: Client Information Provided To Portfolio Managers**

GMAG shall be the Program's portfolio manager. We provide investment advisory services specific to needs of each Client. Prior to providing investment advisory services, we discuss with each Client, their particular investment objective(s). GMAG shall allocate each Client's investment assets consistent with their designated investment objective(s). Clients may, at any time, impose restrictions, in writing, on GMAG's services. As indicated above, each Client is advised that it remains their responsibility to promptly notify GMAG if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing, evaluating or revising our previous recommendations and/or services. To the extent, the Program recommends or utilizes independent Manager(s), GMAG shall provide the independent manager(s) with each Client's particular investment objective(s). Any changes in the Client's financial situation or investment objectives reported by the Client to GMAG shall be communicated to the independent manager(s) within a reasonable period of time.

---

## **Item 8: Client Contact with Portfolio Managers**

The Client shall have, without restriction, reasonable access to the Program's portfolio manager.

---

## **Item 9: Additional Information**

### **Disciplinary Information**

Neither we nor any of our management personnel are subject to or have in the past been subject to any criminal or civil action in any domestic or foreign court, and neither we nor any of our management personnel have been subject to any administrative proceedings before the SEC or any other state, federal or foreign financial regulatory authority.

### **Other Financial Industry Activities and Affiliations**

Neither GMAG nor any of our employees or related persons have any relationships or arrangements with other financial service companies that pose material conflicts of interest.

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

GMAG has adopted a Code of Ethics (the "Code of Ethics") for all supervised persons of GMAG describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at GMAG must acknowledge the terms of the Code of Ethics annually, or as amended.

GMAG has implemented an investment policy relative to personal securities transactions. This investment policy is part of GMAG's overall Code of Ethics which serves to establish a standard of business conduct for all

of GMAG's associated persons that is based upon fundamental principles of openness, integrity, honesty and trust. GMAG's clients or prospective clients may request a copy of GMAG's Code of Ethics by contacting Margaret Iamunno.

In accordance with Section 204A of the Advisers Act, GMAG also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by GMAG or any person associated with GMAG.

GMAG anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it may cause accounts over which GMAG has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which GMAG, its affiliates and/or clients, directly or indirectly, have a position of interest. GMAG's employees and persons associated with GMAG are required to follow GMAG's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of GMAG and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for GMAG's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of GMAG will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of GMAG's clients. In addition, the Code of Ethics requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and is structured to reasonably prevent conflicts of interest between GMAG and its clients.

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

It is GMAG's policy that GMAG will not affect any principal or agency cross securities transactions for client accounts. GMAG will also not effect cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account.

## **Review of Accounts and Reporting**

Client accounts are reviewed by the Managing Principal, and other associated persons. While the underlying securities within these Client accounts are continuously monitored, those accounts are formally reviewed at least quarterly. More frequent reviews may be triggered by material changes in variables such as the Client's individual circumstances, or the market, political or economic environment. We advise all of our managed account Clients that it is their responsibility to advise us of any changes in their investment objectives or financial situation. We ask all of our managed account Clients to review financial planning issues (to the extent applicable), investment objectives, and account performance, with us on an annual basis.



We also review and monitor the investments of the Fund on an ongoing basis.

The broker-dealer/custodian provides managed account Clients with transaction confirmation notices and regular summary account statements directly and applicable mutual fund companies or partnerships. We shall provide quarterly performance reports for each Client's account. Clients are encouraged to contact GMAG to discuss ongoing access to account information for their accounts.

Investors in the Fund will receive annual audited financial reports and quarterly unaudited statements of net asset value. GMAG has arranged for an auditor to examine and report upon the financial statements of the Fund at the end of each fiscal year. Copies of the audited financial statements will be furnished to each Investor as soon as practicable after the end of each fiscal year. The Fund reserves the right to make interim reports available solely in electronic form on the web site (with appropriate password protections) of the Fund, GMAG, or the Fund's custodian.

We review the Client accounts on a continual basis to assure conformity with investment objectives and guidelines. We engage in active management for the Client accounts and, accordingly review our transactions positions and cash balances on a daily basis.

### **Client Referrals and Other Compensation**

We do not compensate any person, either directly or indirectly, for Client referrals who is not our supervised person.

### **Financial Information**

GMAG does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered.

We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to Clients, and have not been the subject of a bankruptcy proceeding