

# GLYNN CAPITAL™

Investment Adviser Brochure

Form ADV Part 2A

Disclosure Statement for Clients of  
and Investors in Funds Managed by  
Glynn Capital Management LLC

March 29, 2018

Glynn Capital Management LLC  
3000 Sand Hill Road  
Building 3, Suite 230  
Menlo Park, CA 94025  
Tel: (650) 854-2215

This brochure provides information about the qualifications and business practices of Glynn Capital Management LLC. If you have any questions about the contents of this brochure, please contact us at 650-854-2215. 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 Glynn Capital Management LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Glynn Capital Management LLC is 111296

Glynn Capital Management LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## **ADV Item 2 – Material Changes**

This brochure, dated March 29, 2018, has been prepared by Glynn Capital Management LLC and supersedes the prior version of this brochure, dated March 30, 2017 (the “Prior Version”).

The Firm has opened an office at 601 California St. in San Francisco and closed its office at 1161 Mission St. in San Francisco since the Prior Version. There have been no other material changes to the brochure since the Prior Version.

### ADV Item 3 – Table of Contents

Item 1	Cover Page .....	1
Item 2	Material Changes .....	2
Item 3	Table of Contents .....	3
Item 4	Advisory Business .....	4
Item 5	Fees and Compensation .....	5
Item 6	Performance-Based Fees and Side-By-Side Management.....	7
Item 7	Types of Clients .....	7
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	8
Item 9	Disciplinary Information.....	12
Item 10	Other Financial Industry Activities and Affiliations.....	12
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.	13
Item 12	Brokerage Practices.....	14
Item 13	Review of Accounts .....	16
Item 14	Client Referrals and Other Compensation .....	17
Item 15	Custody .....	17
Item 16	Investment Discretion .....	18
Item 17	Voting Client Securities .....	18
Item 18	Financial Information.....	18

## **ADV Item 4 – Advisory Business**

### **Introduction**

Glynn Capital Management LLC is a registered investment adviser under the Investment Advisers Act of 1940 (the “Advisers Act”) and a Delaware limited liability company. For purposes of this brochure, the terms “GCM”, “Glynn Capital” and “Firm” mean Glynn Capital Management along with its affiliated general partners of the Funds (as defined below). The Firm’s investors are generally institutions and high-net-worth individuals. GCM has been in business since August 1983, and its predecessor, Lamoreaux, Glynn & Associates, was founded in 1974. The principal owner of the Firm is John W. Glynn. The Firm is affiliated with entities that serve as the general partners to each of the Funds, and each of the Funds is controlled by its respective general partner.

GCM provides investment advisory services on behalf of investment vehicles and separate accounts (“Separately Managed Accounts”), which may be structured as fund vehicles (collectively, the “Funds” or “Clients”) in accordance with the limited partnership agreement (or analogous organizational document) or separate investment advisory agreement and/or contractual side letters with such Fund’s investors (collectively, “Governing Documents”). Investment restrictions for the Funds, if any, are generally established in the Governing Documents of the applicable Fund.

The Firm’s investment advisory services consist of (i) identifying and evaluating investments in public and private companies in the technology sector, (ii) structuring, negotiating, consummating investments on behalf of the Funds, (iii) managing and monitoring such investments, and (iv) disposing of such investments. In particular, GCM pursues a venture-capital investment strategy for some of its Funds (the “Venture Capital Funds”), a long-only public equities investment strategy for some of its Funds (the “Public Funds”) and a hybrid public/private strategy for other Clients (the “Hybrid Funds”). The Separately Managed Accounts employ a long-only public equities investment strategy. In addition, two Separately Managed Accounts managed by the Firm hold primarily a diversified portfolio of the securities of US-based businesses. The Firm employs a fundamental research approach for all strategies.

Although the Firm does not generally offer co-investment opportunities to the investors in the Funds, the Firm may in its discretion offer direct co-investment opportunities in private companies to one or more (but not necessarily all) Fund investors, or their affiliates; provided, however, that the Firm shall make such allocations in good faith in a manner which it believes to be fair and reasonable. Such co-investment opportunities are subject to approval by the applicable Conflicts Committee consisting of the Fund’s limited partners (hereinafter referred to as the “LP Conflicts Committee”) for certain GCM Venture Capital Fund Clients that have “first look” rights to all private investment opportunities.

### **Assets Under Management**

As of December 31, 2017, GCM manages a total of \$1,209,177,836 of assets, all of which is managed on a discretionary basis.

## ADV Item 5 – Fees and Compensation

### Management Fees

As compensation for investment advisory services rendered to the Funds, GCM typically receives a management fee (each, a “Management Fee”) for each such Fund. The precise amount of, and the manner and calculation of, the Management Fee may differ from one Fund to another, as set forth in such Fund’s Governing Documents received by each investor prior to investment. The Management Fee is typically calculated as a percentage of the investors’ total capital commitments, total capital balance, or fair market value of the portfolio, as further detailed below and in the Governing Documents of each Fund or Separately Managed Account.

Management Fees are payable either monthly or quarterly in advance or deducted in arrears. For the majority of the Funds and Separately Managed Accounts with fees charged in advance, investors are able to liquidate only at the end of each period (e.g., end of the quarter or the end of the life of the Fund) under the terms of the Governing Documents; consequently, no refund is required in such circumstances.

**Venture Capital Funds.** The Management Fees for the Venture Capital Funds range from 2.0% to 2.5% annually of committed capital. Pursuant to the Governing Documents of certain GCM Venture Capital Funds, after a specified time period, the Management Fee is subject to a step-down. The Management Fees for the Venture Capital Funds are paid quarterly in advance.

**Hybrid Funds.** The Management Fee for GCM’s Hybrid Funds is 1.5%. For one GCM Hybrid Fund, the Management Fee is based on the average market value of such Fund’s assets during the quarter, payable in arrears. For all of the other GCM Hybrid Funds, the fee is based on each limited partner’s capital account (adjusted to cost for private securities), uncalled capital commitment, and side pocket capital account (adjusted to cost for private securities). For these Funds, the fee is paid quarterly in advance. Additionally, for two Hybrid Funds, the fee is computed using a breakpoint for each level of investment.

**Public Funds and Separately Managed Accounts.** For GCM’s Public Funds and Separately Managed Accounts, the Management Fee generally ranges between 0.75% and 2.0% annually, based on the net asset value of the portfolio or each investor’s total capital balance, payable either monthly or on a quarterly basis, in accordance with each Fund’s Governing Documents. For the majority of its Public Funds, GCM deducts fees from the Funds’ assets. Some Funds are billed on a quarterly basis, payable on the first day of the succeeding quarter. Some Funds are billed on a monthly basis in advance. The terms of the billing vary for each Fund and are stated in the applicable Fund’s Governing Documents.

### Adviser Expenses

To the extent provided in the Governing Documents of the Funds, GCM is responsible for paying certain ordinary overhead and administrative expenses, including salaries, rent and equipment expenses, and expenses incurred in investigating and evaluating investment opportunities. In addition, the Firm generally bears the cost of: (a) organizational costs that exceed a negotiated cap

and (b) placement fees payable to any placement agent in connection with the formation of the applicable Fund. The Firm is not responsible for any (i) Fund expenses or (ii) organizational expenses that fall below an agreed-upon cap as set forth in the applicable Governing Documents of the Fund.

The Management Fees and other fees and distributions described herein are generally subject to modification, waiver or reduction by GCM in its sole discretion, both voluntarily and on a negotiated basis with selected investors. Certain investors in the Funds who are current employees and members of their families typically invest directly or indirectly in the Funds, and Management Fees with respect to such investments are usually waived.

GCM reserves the right to revise its fees for future Funds offered by it. Prospective investors in any future Funds should review with care the descriptions of fee arrangements in the private placement offering memorandum and Governing Documents for those Funds.

### **Fund Expenses**

Pursuant to the Governing Documents of the applicable Fund, each Fund will bear its own costs and expenses, liabilities and obligations relating to its operation and other typical expenses, including organization costs, costs associated with the purchase and sale of investments (e.g., interest expenses, consulting and other professional fees incurred in connection with due diligence and monitoring of investments), ongoing legal expenses, ongoing accounting and tax expenses, line of credit expenses, bank and custodian fees, brokerage commissions, liability insurance fees, taxes, license fees, Management Fees or other such costs as outlined in the applicable Governing Documents for each Fund. Please also see Item 12 (Brokerage Practices) for further details on expenses.

**Investors should consult the Governing Documents relating to the applicable Funds for details of these fee arrangements.**

## ADV Item 6 – Performance-Based Fees and Side-by-Side Management

The majority of Funds are charged an asset-based fee and a performance-based fee. The Firm does not believe that the differential in fees alone is sufficiently material to create a conflict of interest whereby some Funds would be favored over others for investment allocations.

With respect to each pooled private investment vehicle offered by the Firm a portion of profits of each such vehicle is allocated to its general partner as “carried interest” (the “Carried Interest”) or incentive fees based on the parameters set forth in the applicable Governing Documents.

In most cases for Public Fund Clients and Separately Managed Account Clients, the Firm charges an annual incentive fee in the range of 15% to 20%, calculated and payable at the end of each calendar year in accordance with each Fund’s Governing Documents. Some Separately Managed Account Clients are charged a performance fee only when the accounts’ performance exceeds a hurdle rate. Venture Capital Fund Clients are charged a performance fee of 20%. Glynn Capital’s Hybrid Fund Clients are charged a performance fee of 15% to 20%.

GCM has two Separately Managed Account Clients that are not charged a performance-based fee because the type of investments traded for such Clients is atypical compared to the other strategies employed by GCM. They are primarily stable, diversified portfolios of large United States-based companies (largely non-technology companies).

### *Potential Conflicts of Interest*

**Carried Interest.** Instances may arise where the interests of the Firm (or its principals) conflict with the interests of the Funds and their investors. For example, the existence of the general partners’ Carried Interests create an incentive for the Firm to make more speculative investments on behalf of the Funds than it would otherwise make in the absence of such performance-based arrangements. However, the Firm is committed to acting at all times in the best interest of Clients. Furthermore, since certain of the Funds are invested in the same portfolio investment, at the time of disposition of the portfolio investment the Firm may be incentivized to prioritize the exit of the investment for certain Funds based upon a variety of factors, including but not limited to, cost of the portfolio investment to the Fund and the Fund’s Carried Interest Distribution. In addition, the Tax Cuts and Jobs Act of 2017 restricts carried-interest tax treatment to investments held three years or longer; the Firm may be incentivized to hold investments longer than it would otherwise do in order to receive the preferential tax treatment.

## ADV Item 7 – Types of Clients

GCM currently provides investment advisory services to the Funds. Investment advice is provided directly to the Funds and not individually to investors in such Funds. The Funds’ investors are limited to individuals and entities that meet certain suitability criteria including “accredited investors,” “qualified clients,” and “qualified purchasers”.

The Firm also provides investment services to Separately Managed Accounts. The minimum portfolio size for new Separately Managed Accounts is \$25 million. The minimum requirement to

make an investment in a private investment fund is generally \$1 million. GCM has the option to waive these minimum requirements in its sole discretion.

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

### **General Risks**

The types of investments made by the Firm involve a substantial degree of risk. A Fund may lose all or a substantial portion of its investments, and investors in a Fund must be prepared to bear the risk of loss of the value of their investments. Prior to making a commitment to invest in a Fund, prospective investors should carefully review the applicable Governing Documents and private placement memorandum of such Fund and consult their own financial, legal, and tax advisers. Material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for the Funds, include but are not limited to, the following:

**Past Performance Not Indicative of Future Results.** The past performance of the investments in which the Firm's investment professionals participated is not necessarily indicative of future results. There can be no assurance that the Fund will generate investment returns commensurate with past performance.

**Reliance on the Firm.** Decisions with respect to the management of the Funds will be made by the Firm. The Firm will have the exclusive responsibility for the Funds' activities, and other than as expressly set forth in the Funds' Governing Documents, investors will not be able to make investment or other decisions in the management of the Funds. The success of the Funds will depend on the ability of the Firm to identify and consummate suitable investments and to dispose of investments for a profit. The loss of services of one or more of the Firm's investment professionals could have an adverse impact on a Fund's ability to realize its investment objectives. There can be no assurance that each of the Firm's investment professionals will continue to be affiliated with the Funds through their anticipated terms.

**Reliance on Principals.** The loss of any of the principals of the Firm would have a significant adverse impact on the business of the Funds and their financial performance. No assurances can be given that any principal will continue to be affiliated with the Funds throughout their term. Notwithstanding any prior experience that the principals may have in making investments of the type expected to be made by the Funds, any such experience necessarily was obtained under different market conditions and with different technologies at the forefront of development. There can be no assurance that the principals will be able to duplicate prior levels of success.

**Competitive Marketplace.** The marketplace for venture capital and public investing has become increasingly competitive. Participation by financial intermediaries has increased; substantial amounts of capital have been dedicated to making investments in the private sector; and the competition for investment opportunities is at high levels. There can be no assurances that the principals of the Firm will locate an adequate number of attractive investment opportunities. To the extent that the Funds encounter competition for investments, returns to investors in any particular Fund may vary.



**Risks Related to Investments.** GCM invests in companies in the technology sector. The Funds employ one of several strategies and, depending upon the strategy (as described in each entity's Governing Documents), may invest in public securities, private securities, or both.

**Venture Capital Funds.** In the Firm's venture-capital business, GCM invests in private companies in the technology industry through a combination of direct venture financing and the purchase of shares from employees, ex-employees, or other individuals or entities that may hold shares in the private companies. GCM's investment team selects the sectors and companies in which it invests, and these judgments are subjective. There is no liquid market for these investments, and investors should be prepared for long holding periods and/or loss of capital. There can be no assurance that the Firm will be able to exit an investment. Investing in technology securities of any type involves a risk of loss that investors should be prepared to bear.

**Public Funds and Separately Managed Accounts.** Within the Firm's public-equities business, GCM offers long-only strategies in the form of Funds and Separately Managed Accounts. GCM does not use any options or derivatives. GCM employs a fundamental research process in which the Firm assesses technology trends and analyzes companies on an individual basis. GCM generally invests with a three-year time horizon but may trade in positions or exit positions earlier based on price movements or changes to investment theses. The Firm generally does not attempt to time the market, although it may at times attempt to take advantage of specific securities' price fluctuations. In performing research, GCM considers both quantitative and qualitative factors. Both types of factors require subjective judgments by GCM's investment team. In addition, the Funds and Separately Managed Accounts hold concentrated portfolios of technology stocks and do not provide diversification. Technology stocks often exhibit price volatility, and investors should be prepared for significant volatility in performance. Investing in technology securities of any type involves a risk of loss that investors should be prepared to bear.

**Hybrid Funds.** The Firm's Hybrid Funds hold investments in both public equities and private companies. Usually, these holdings overlap with positions in other Funds. Please see above for more information on the types of public and private companies GCM invests in through the Funds and/or Separately Managed Accounts. There is no liquid market for the funds' private investments, and investors should be prepared for long holding periods and/or loss of capital. Investing in technology securities of any type involves a risk of loss that investors should be prepared to bear.

In addition to the risks associated with public and private technology companies as described above, GCM's Hybrid Funds attempt to allocate capital based on whether the Firm's investment committee believes public or private technology companies represent a more attractive investment opportunity at any given time, subject to the restrictions in each Fund's Governing Documents. There can be no assurances that GCM will be able to do this. In addition, the Funds hold concentrated portfolios of technology companies and do not provide diversification.

**Risks Inherent in Venture Capital Investments.** The private companies GCM invests in are at an early stage in their businesses and may not have substantial revenues or cash flow. Moreover, they face significant risks, including product, market, and execution risks. In addition, the Funds hold concentrated portfolios of technology companies and do not provide diversification, as further described below. Because the Firm's Venture Capital Funds often purchase common shares, there is also a risk that the capital structures of the companies could advantage holders of preferred stock over those holding common stock. The Firm attempts to mitigate this risk through screening, but investors should be aware of this risk. No liquid market exists for these companies, and investors should be prepared for long holding periods and the risk of loss.

**Risk Inherent in the Firm's Public Investments.** In GCM's public-equities business, all investments are in technology companies, and these stocks are typically volatile. The Firm does not attempt to manage its portfolios for low volatility. In addition, the Funds hold concentrated portfolios of technology companies that do not provide diversification. The Firm takes a long-term view on positions, but the Firm's investment team at times attempts to take advantage of the volatility in specific stocks to rebalance portfolios. This trading can, however, lead to increased costs to investors in the form of additional trading commissions and less-favorable tax treatment.

**Concentration of Investments.** While a substantial majority of the equities traded by the Firm's Public Funds and Separately Managed Accounts, as well as Hybrid Funds, are highly liquid, there are equity positions held by these Funds that are less liquid, thereby requiring the Firm to take longer to enter or exit such positions. The technology sector is more volatile than many others, and equities can move higher or lower rapidly. Because the Firm's investments are focused on one sector, they do not provide diversification to investors.

**Absence of Liquidity and Public Markets for Private Investments.** The Venture Capital Funds and Hybrid Funds invest in private, illiquid securities. There is no guarantee that these companies will go public or be acquired, nor is there any assurance that GCM will be able to sell its investments to another investor. The possibility of a company holding an initial public offering is subject to the movements of the stock market and investor sentiment, and companies must pay substantial costs in order to go public and to set up and operate a compliance infrastructure. Investors should be prepared to hold private securities indefinitely. Because private company investments are illiquid, if it appears that companies will not achieve liquidity events, then such investments may be written down to zero. Because the Firm's investments are focused on one sector, they do not provide diversification to investors. Investors should be able to bear a total loss of some or all of the investments in the portfolio.

**Changing Economic Conditions.** The success of the Firm's investment strategy could be significantly impacted by changing external economic conditions in the United States and global economies. The stability and sustainability of growth in global economies may be impacted by terrorism or acts of war. Changing economic conditions could potentially adversely impact the valuation of portfolio holdings.

**Material Non-Public Information.** By reason of their responsibilities in connection with their other activities, the principals of the Firm (or their respective affiliates) may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities.

GCM will not be free to act upon any such information on behalf of Clients. Due to these restrictions, a Client may not be able to initiate a transaction that it otherwise might have initiated and/or may not be able to sell a portfolio investment that it otherwise might have sold.

**Investments in Companies Dependent upon New Technologies and Scientific Development.**

The Firm plans to focus its investing on companies in technology companies. The specific risks faced by such companies include:

- rapidly changing science and technologies;
- new competing products and improvements in existing products which may quickly render existing products or technologies obsolete;
- scarcity of management, technical, scientific, research and marketing personnel with appropriate training;
- the possibility of lawsuits related to intellectual property rights; and
- rapidly changing investor sentiments and preferences with regard to technology sector investments (which are generally perceived as risky).

**Difficulty in Valuing Private Portfolio Investments.** Generally, there will be no readily available market for a substantial number of the Venture and Hybrid Funds' investments and hence, most of such Fund investments will be difficult to value. Due to the absence of readily available market valuations or market quotations for securities of privately held portfolio companies, the valuation of the Funds' investments in such portfolio companies is determined in good faith by the general partner, which currently uses a third-party valuation agent to assist in the determination of certain valuations. The Funds are not required to have such valuations independently determined. Despite the Firm's efforts to acquire sufficient information to monitor certain of a Fund's investments and make well-informed valuation and pricing determinations, members of the Firm may only be able to obtain limited information at certain times. It is possible that members of the Firm may not be aware on a timely basis of material adverse changes that have occurred with respect to certain of a Fund's investments. Thus, valuation determinations may be made without the benefit of an adequate amount of relevant information. Prospective investors should be aware that as a result of these difficulties, as well as other uncertainties, any valuation made may not represent the fair market value of the securities acquired therein.

**Minority Investments.** The majority of the Funds' investments represent minority positions in portfolio companies. During the process of exiting investments, the Funds may still hold minority equity stakes. As is the case with minority holdings in general, such minority stakes that the Funds expect to hold will have neither the control characteristics of majority stakes nor the valuation premium accorded to majority or controlling stakes.

**Leverage.** To the extent that any investment is made in a portfolio company with a leveraged capital structure or any portfolio company borrows or enters into other financing transactions requiring periodic payments, such investment will be subject to increased exposure to adverse economic factors such as a significant rise in interest rates, a severe downturn in the economy or deterioration in the condition of such company or its industry. If such a company is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the value

of any equity investment by the Fund in such company could be significantly reduced or even eliminated.

**Limitations on Ability to Exit Investments.** The Firm expects to exit from the Funds' investments in two principal ways: (i) open market or private sales and (ii) initial and secondary public offerings. At any particular time, one or both of these avenues may not be open to the Funds, or timing with regards to these investments may be inopportune. As such, the ability to exit from and liquidate portfolio holdings may be constrained. Furthermore, at any given time, multiple Funds could be invested in any given investment, which could further constrain the Firm's ability to exit any such investment at an opportune time.

**Cybersecurity Breaches and Identity Theft.** The Firm's, portfolio companies', and vendors' technology and information systems may be susceptible to interruption from network failures, computer viruses, telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors, power outages, or catastrophic events (such as fires, tornadoes, floods, hurricanes and earthquakes) or damage generally. Although the Firm has implemented, and portfolio companies will likely have implemented, various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Firm, Funds, and Separately Managed Accounts, and/or portfolio companies may have to make a significant investment to fix or, in certain circumstances, replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Firm's, a Fund's or Separately Managed Account's, and/or portfolio company's operation and result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including personal information relating to investors. Such a failure could harm the Firm's, a Fund's or Separately Managed Account's, and/or a portfolio company's reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect their business and financial performance.

#### **ADV Item 9 – Disciplinary Information**

There are no legal or disciplinary events that are material to a Client's or prospective client's evaluation of the Firm's advisory business or the integrity of the Firm's management.

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

Neither the Firm, nor any of its affiliates or management personnel are registered, or have an application pending to register, as:

1. a broker-dealer or a registered representative of a broker-dealer; or
2. a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Employees will occasionally make seed or angel investments into companies that are not suitable investments for the Funds. Angel and seed investors are very early-stage investors into private companies that may be too risky for the Funds. Any such investments are reported to, and pre-cleared by, the Chief Compliance Officer after consultation with members of the investment

committee. Sometimes, though not often, these companies grow into potential suitable investments for one or more Funds. When the investment team begins to consider such investment opportunity, the investment by the employee must be disclosed to them. If the investment committee determines any Fund or Funds will make an investment into this company, any such decision must be based solely on the investment committee's analysis of the investment as an asset that will be beneficial to the Funds and fit within their respective strategies. The compliance team reviews any investments made in this situation to ensure suitability, disclosure of conflicts, and that the investment decision is being made for the best interest of the Fund or Funds, not the individual employee.

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

GCM adheres to the highest industry standards of integrity, professionalism, and trust. To this end, the Firm has adopted a Code of Ethics (the "Code"). The Code instructs that all actions of the Firm must be in deference to the economic interests of its Clients. In order to realize this goal, all employees shall comply with the rules and regulations of all appropriate private and public regulatory agencies; act honestly and ethically in the performance of their duties at the Firm; avoid conflicts of interest between personal and professional relationships and, where they cannot be completely avoided, disclose such conflicts; and provide Clients and investors with information that is accurate, complete, objective, relevant, timely, and understandable. Confidential information acquired in the course of work may not be used for personal advantage. The confidentiality of information acquired in the course of work must be respected at all times, except when the Firm is authorized or otherwise legally obligated to disclose it. All material non-public information must be reported to the Chief Compliance Officer, who will determine whether trading in the security should be restricted. Each GCM employee is required to report to the Chief Compliance Officer any known or suspected violations of the Code or law.

Each newly hired employee receives a copy of the Code and is required to certify that he or she has read and understands it. Training is provided to employees with respect to the Code and their duties under it. On an annual basis, each GCM employee must certify that he or she has read and understands the Code, has complied with its provisions and has disclosed, pre-cleared and arranged for the reporting of all transactions in securities consistent with the requirements of the Code.

**Personal Trading.** Employees of the Firm are permitted to trade for their personal accounts. Employees are generally restricted from but may be permitted to buy or sell securities issued by the issuers of securities held by Clients of the Firm from time to time. Such transactions are done with deference to the economic interest of the Firm's Clients: a restricted list is maintained, and personal transactions of most securities require preclearance, with the exception of municipal bonds, open-ended mutual funds, exchange-traded funds (ETFs), treasury or other government bonds, and money-market instruments. Trades involving the stocks of technology companies are largely prohibited; those that are permitted must receive prior authorization from the Chief Compliance Officer. Employees may not trade securities on material non-public information. Employees are required to report personal holdings and trades in accordance with the Firm's Code. Administration of the Code is the responsibility of the Firm's Chief Compliance Officer.

**Penalties.** Violations of the Code may result in disciplinary action and escalating fines and penalties, including possible termination of employment.

A copy of the Code is available to Clients, investors, and prospective investors upon request.

The Firm has established a Compliance Committee of senior executives. The Compliance Committee meets several times per year to review compliance matters.

If an employee holds an investment in a company that is being considered for Clients, the employee is obligated to disclose his or her investment and potential conflict of interest prior to the decision to have Clients invest. The Firm uses compliance software to collect and monitor the holdings of its employees. The Chief Compliance Officer is responsible for reviewing for any potential conflicts of interest, and if any conflicts arise because of the employee's ownership, the Chief Compliance Officer will institute mitigating controls.

### **ADV Item 12 – Brokerage Practices**

In placing each transaction for a Fund involving a broker or dealer, GCM will seek “best execution” in a particular transaction. GCM’s investment and operations teams evaluate broker-dealers based upon several factors, including but not limited to (i) execution quality, (ii) research services, and (iii) availability and quality of electronic trading. The trader solicits input from members of the investment and operations teams to assess the quality of each broker-dealer and its performance in each category. A formal review of execution is conducted by the Firm’s Best Execution Committee on a quarterly basis.

### **Soft-Dollar Research**

The Firm receives soft-dollar benefits from broker-dealers in connection with Client securities transactions. These benefits include proprietary research created by third parties. By using client brokerage commissions to obtain research or other products or services, the GCM receives a benefit by not having to pay for the research services. This creates an incentive for GCM to choose a broker-dealer based on such research rather than on the interest of Clients in receiving most favorable execution.

At times, the Firm may cause Clients to pay commissions higher than those charged by other broker-dealers in return for soft-dollar benefits (“paying up”). GCM attempts in good faith to allocate commissions proportionately to Client accounts.

The Firm requires that all soft-dollar arrangements to be pre-cleared by the Soft Dollar Officer. All soft dollar arrangements are reviewed by the Chief Compliance Officer on a quarterly basis.

The Firm does not currently receive any client referrals from broker-dealers.

### **Directed Brokerage**

Under certain circumstances, GCM may permit a Client to direct GCM to execute the Client's trade with a specified broker-dealer. Although GCM attempts to effect these transactions in a manner consistent with its policy of seeking best execution, there may be occasions where it is unable to do so, in which case GCM will continue to comply with the Client's directions. A Client who directs GCM to direct brokerage to a particular broker-dealer to effect transactions should consider whether this designation may result in certain costs or disadvantages to the Client. These costs may include higher brokerage commissions (because GCM may not be able to aggregate orders to reduce transaction costs) and potentially less favorable execution of transactions. The commissions charged to Clients that direct GCM to execute the Client's trades through a specified broker-dealer may in some transactions be materially different than those of Clients who do not direct the execution of their trades. See also aggregation of trades below.

In cases where the Client directs the Firm to utilize the services of a certain broker, GCM may not be able to obtain more favorable commission rates based on an aggregated trade. In these cases, the Client may be precluded from receiving the benefit of any possible commission discounts that might otherwise be available as a result of the aggregated trade. In cases where trading or investment restrictions are placed on a Client's account, the Firm may be precluded from aggregating that Client's transaction with others. In this case, the Client may pay a higher commission rate or receive less favorable prices than Clients who are able to participate in an aggregated order.

**Allocation of Investment Opportunities of Public Securities.** The Firm is in a position to allocate investment opportunities among Client accounts. The Firm's policy is to allocate orders among Clients in a manner which is fair and equitable over time and does not favor one Client or group of Clients. Allocations among Clients will generally be based on consistently applied objective criteria tailored to an investment strategy, including, but not limited to, pro rata based on the Clients' net asset values, total assets, available cash, or target position size (a "Suggested Allocation"). There may, however, be instances due to Client account requirements, issues of eligibility, risk parameters, tax considerations, Client portfolio turnover parameters, or Client account duration/investment time horizon, among other reasons, where a Suggested Allocation is rejected and another allocation is considered to be equitable. Initial public offerings ("New Issues") are typically allocated on a rotating basis unless the Firm receives a sufficiently large number of shares and can allocate pro rata across all eligible Clients.

### **Aggregation of Trades**

If the Firm determines that a particular investment is appropriate for more than one Client, the Firm may, but is not required to, aggregate securities transactions for those Clients. Procedures to ensure that no Client is disadvantaged as a result of such aggregation, will include but not be limited to, the following:

- disclose the policy regarding aggregation of securities transactions to all investors via the Form ADV and by providing the written policy to investors who request it;
- conduct the aggregation consistent with its duty to seek best execution for Client accounts;

- ensure no Client is favored over another Client;
- maintain accurate books and records regarding all aggregated securities transactions; and
- ensure that no additional compensation or remuneration of any kind is received by the Firm as a result of aggregating securities transactions.

**Privately Traded Securities.** Certain Venture Funds are entitled to a “first look” at private investment opportunities within their focused investment strategy. A Venture Fund whose offering documents provide it with a “first look” right, absent consent by its respective LP Conflicts Committee, will be entitled to view certain private investment opportunities before the Firm presents the opportunity to other Clients, and may therefore be allocated all or a part of such private investment opportunity before the Firm determines if the opportunity is suitable for investment by any other Clients. When one Client is entitled to a “first look” at private investments that may be suitable for another Client account, the Firm discloses this right to the latter Client.

**Publicly Traded Securities.** GCM attempts to aggregate the purchase or sale of public securities across multiple Client accounts when it has the opportunity to do so and when such trades fit the investment mandates of such funds. This practice may allow the Firm to receive more favorable commission rates. When an aggregated order is filled through multiple trades at different prices on the same day, each participating Client account will receive the average price, with transaction costs generally allocated pro rata based on the size of each Client’s participation in the order (or allocation in the event of a partial fill) as determined by the Firm. In the event of a partial fill, allocations may be modified on a basis that the Firm deems to be appropriate, including, for example, in order to avoid odd lots or de minimis allocations. When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty selected by the Firm. As a result, certain trades in the same security for one Client may receive more or less favorable prices or terms than another Client, and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved.

### **ADV Item 13 – Review of Accounts**

**Public Funds, Hybrid Funds, and Separately Managed Accounts.** Members of the investment team and trader review Client accounts daily, focusing on the movements of prices of publicly traded stocks held within each Client portfolio, as well as news or announcements from the companies whose stocks each Client portfolio holds. The investment team, trader, Chief Financial Officer, and Chief Compliance Officer review each Public Fund or Separately Managed Account on a regular basis.

**Venture Capital Funds and Hybrid Funds.** The investment committee reviews each GCM Venture Capital Fund weekly, focusing on updates to company performance, investment pipeline, and position sizing. This review also involves the private companies held in the Firm’s Hybrid Funds.



## **Periodic Review**

The Firm reviews accounts on a periodic basis. Except as specified above, the Firm does not utilize any specific criteria to trigger a review of Client investments at this time.

## **Client Reports**

GCM provides written reports on a periodic basis in accordance with the applicable offering documents or other written agreements with Clients. Such reports generally provide, typically on an annual basis, audited information with respect to portfolio holdings, performance and transactions. Additionally, Clients generally receive, typically on a quarterly basis, written unaudited account performance reports.

**Public Funds, Hybrid Funds, and Separately Managed Accounts.** For all Public Funds, Hybrid Funds, and Separately Managed Accounts, the Firm reports performance to Clients at least quarterly. Some investors request additional information on a monthly basis. All public-equities and hybrid Clients also receive detailed letters written by the investment team on a quarterly basis. These letters generally discuss the technology investment environment, investment activity, and overall portfolio.

**Venture Capital Funds.** Most investors in the Venture Capital Funds receive letters and statements on a quarterly basis. For one of the Firm's older Venture Capital Funds, in accordance with such Fund's Governing Documents, investors receive statements and letters on a semi-annual basis. These letters are written by the investment team and generally discuss the technology investment environment, investment activity, and overall portfolio.

The Firm encourages investors to contact or visit GCM at any time for updates.

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

For certain of the Firm's Funds, the Firm entered into a compensation arrangement for investor referrals in specified territories with The Capital Partnership Ltd., based in the UK. The Firm pays a fee that is a percentage of the capital commitment, as well as a fee that is a percentage of carried interest, for investors referred to the Fund during the term of the agreement.

## **ADV Item 15 – Custody**

**Private Funds.** For the Firm's private funds, GCM is deemed to have custody of Clients' funds and securities, and such funds and securities are maintained at qualified custodians. The Firm engages independent, PCAOB-registered CPAs to audit the majority of these vehicles.

For the private Funds that are not audited, client funds and securities are verified by actual examination at least once during each calendar year by an independent public accountant, pursuant to a written agreement, at a time that is chosen by the accountant without prior notice or announcement and that is irregular from year to year. The accountant is PCAOB-registered. In the

majority of cases, the investors in the Firm's private Funds do not receive statements directly from qualified custodians.

**Separately Managed Accounts.** The Firm is not deemed to have custody of funds or securities for Separately Managed Account Clients. The investors in these accounts receive account statements directly from the custodians on a monthly basis. In the Firm's investor letters, GCM urges investors to review the custodian's statements carefully and compare them to the quarterly statements received from the Firm.

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

GCM has discretionary authority to manage the securities portfolios of Clients. Each Client's Governing Documents may limit the Firm's authority to invest in certain securities or industry sectors. Investors are required to sign an investment management agreement, operating agreement, or limited partnership agreement that allows the Firm to give orders to purchase and sell securities without prior consultation with investors.

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

GCM has authority to vote Client securities and has a policy to vote proxies in favor of shareholder interests. Proxy votes will be determined by the responsible analyst in accordance with the Firm's policy. In determining a particular vote, the Firm will not subordinate the economic interest of Clients to any other entity or interested party. Any conflict of interest between Clients and the Firm will be resolved in the interests of the Client. In situations where an analyst perceives a material conflict of interest, the proxy will be sent directly to the relevant Client for a voting decision. GCM shall furnish a copy of these policies and procedures to a requesting Client, and advise Clients, and investors in such Clients, how they can obtain information on how the Firm caused their proxies to be voted. Information regarding the Firm's voted proxies as well as the Firm's proxy voting policies and procedures are available upon request.

#### **ADV Item 18 – Financial Information**

The Firm has no financial commitment that is reasonably likely to impair its ability to meet contractual commitments to its Clients.