

**SIDE HILL ROAD CAPITAL, LLC**

**FORM ADV PART 2A**

**BROCHURE**

**Item 1 – Cover Page**

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This brochure (“Brochure”) provides information about the qualifications and business practices of Side Hill Road Capital, LLC. If you have any questions regarding the contents of this brochure, please do not hesitate to contact our Chief Compliance Officer, Michael J. Shuckerow, by telephone at (646) 483-7217 or by email at [mikeshuckerow@gmail.com](mailto:mikeshuckerow@gmail.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.

Side Hill Road Capital, LLC is a registered investment advisor. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training. Additional information about Side Hill Road Capital, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

August 30, 2019

## **Item 2 – Material Changes**

Form ADV Part 2 requires registered investment advisors to amend their brochure when information becomes materially inaccurate. If there are any material changes to an advisor's disclosure brochure, the advisor is required to notify you and provide you with a description of the material changes.

As Side Hill Road Capital, LLC is a newly-registered investment advisor, this is its initial Brochure and therefore, there are no material changes to disclose.

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## **Item 4 – Advisory Business**

### **A. Description of the Advisory Firm**

Side Hill Road Capital, LLC (“SHRC” or the “Firm”) is a limited liability company organized in Delaware. SHRC is an investment advisory firm registered with the United States Securities and Exchange Commission (“SEC”). SHRC is wholly owned by Side Hill Road Capital Holdings, LLC. The sole owner of Side Hill Road Capital Holdings, LLC as of July 23, 2019 is Michael J. Shuckerow.

All statements in this Brochure, including those made in the present tense, describe the prospective business of SHRC.

### **B. Types of Advisory Services**

SHRC provides investment advisory services to individuals, including high net worth individuals, and entities, including family offices, trusts, estates, private foundations, charities, small businesses, and pension and retirement/profit-sharing plans, on a fee-only basis. These services include investment management services where SHRC manages client assets on a discretionary and/or non-discretionary basis, including through the use of external money managers. SHRC also may assist clients in determining their financial objectives, identifying financial issues, analyzing cash flow, tracking and reporting on financial assets, and counselling on issues related to education funding, retirement planning, risk management, and tax and estate planning.

#### *Investment Management Services*

SHRC seeks to tailor its investment management services to meet the needs of its clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. SHRC consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify SHRC if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if SHRC determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to SHRC’s management efforts.

In designing and implementing customized models and portfolio strategies, SHRC can manage, on a discretionary or non-discretionary basis, a broad range of investment strategies and vehicles. SHRC primarily allocates client assets among various individual debt and equity securities, mutual funds, exchange-traded funds (“ETFs”), closed-end funds (“CEFs”), options, and alternative investments in accordance with clients’ stated investment objectives, risk profile and financial condition and based on the existing and anticipated market environment and external conditions.

External Managers: SHRC may recommend to clients that all or a portion of their investment portfolio be managed on a discretionary basis by one or more unaffiliated money managers or investment platforms (“External Managers”). The client may be required to enter into a separate agreement with the External Manager(s), which will set forth the terms and conditions of the client’s engagement of the External

Manager, or will receive a Statement of Investment Selection in a single contract relationship. SHRC generally renders services to the client relative to the discretionary selection of External Managers. SHRC also assists in establishing the client's investment objectives for the assets managed by External Managers, monitors and reviews the account performance and defines any restrictions on the account.

The investment management fees charged by the designated External Managers are in addition to the annual management fee charged by SHRC, which is described below in Item 5. The amount of assets invested with External Managers is included in the client's "assets under management" for purposes of SHRC calculating its annual management fee per Item 5 below. SHRC evaluates a variety of information about External Managers, which may include the External Managers' public disclosure documents, materials supplied by the External Managers themselves and other third-party analyses it believes are reputable. To the extent possible, SHRC seeks to assess the External Managers' investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposure. SHRC may also take into consideration each External Manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

Private Funds: SHRC may also recommend that clients invest in unaffiliated private investment vehicles whose interests are not publicly offered under the Securities Act of 1933 ("Private Funds"). SHRC will, from time to time and as appropriate, solicit clients to invest in such vehicles, and SHRC will decide which clients to approach for some or all these investments, in its own discretion. The investment management fee charged by the investment manager of a Private Fund is separate from and in addition to the annual management fee charged by SHRC. The amount of client assets invested in Private Funds is included in the client's "assets under management" for purposes of SHRC calculating its annual investment management fee per Item 5 below. All relevant information pertaining to Private Fund recommendations, including the compensation received by SHRC (if any) or a SHRC affiliate or related person (as applicable) and by the third-party manager resulting from a client's investment in a Private Fund, other fees and expenses paid by the respective Private Fund, withdrawal rights, minimum investments, qualification requirements, suitability, risk factors and potential conflicts of interest is set forth in the respective Private Fund's disclosure documents, governing documents and other offering materials pertaining to such interest (the "Offering Materials"). Each investor is required to receive, review and execute (as applicable) the Offering Materials prior to being accepted as an investor in any such Private Fund. SHRC's role relative to unaffiliated Private Funds is limited to its initial and ongoing due diligence and investment monitoring services.

#### *ERISA Services*

SHRC provides investment management services to retirement plans under the Employee Retirement Income Security Act of 1974, as amended ("ERISA") on either a discretionary or nondiscretionary basis, depending on the client. SHRC acknowledges its status as an ERISA fiduciary under either ERISA 2(21) or 3(38), as applicable, when providing investment management services. SHRC's fiduciary services to ERISA Plans include preparing an investment policy statement, screening and selecting investment options for the plan, selecting a qualified default investment alternative, providing quarterly investment reports, attending the investment committee meetings, and, if the services are discretionary, creating and managing portfolios based on a range of varying target asset allocations. SHRC's non-fiduciary services to ERISA

plans can include providing education regarding general investment principles and the investments options in the plan to plan participants.

### *Financial Planning and Consulting Services*

SHRC may provide a variety of financial planning and consulting services to clients. Such engagements are typically part of the investment advisory engagement, but may be pursuant to a separate financial planning engagement if agreed upon in advance by the client and SHRC. Generally, such financial planning services will involve preparing a financial plan or rendering a financial consultation based on the client's financial goals and objectives. This planning or consulting may encompass one or more areas of need, including, but not limited to cash flow analysis, investment planning, retirement planning, estate planning, personal savings, educational savings, and other areas of a client's financial situation.

SHRC intends to retain experienced investment advisors in the near future to help implement the advisory services described in Item 4.B. SHRC intends that some of these advisors will become executive officers of the Firm.

### **C. Client-Tailored Advisory Services**

SHRC's investment advice is customized and tailored to the unique goals, objectives and needs of each client. SHRC seeks to understand the client's goals, objectives, time horizon, tax position and attitude toward risk and reward. The stated goals and objectives for each client are reflected in the client's overall recommended financial and investment program and advice that is provided on an ongoing basis.

### **D. Assets Under Management**

SHRC reasonably anticipates that it will be eligible for registration with the SEC by the end of the 120-day period following its approval as an SEC-registered investment advisor. As of the date of this filing, SHRC manages approximately \$0 in assets on a discretionary basis and \$0 on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

### **A. Fees for Advisory Services**

SHRC charges an annual management fee that is agreed upon with each client and set forth in an agreement executed by SHRC and the client. SHRC's fee for investment advisory services is negotiable and varies based on several factors, including, but not limited to, the size of the client relationship, the type, nature and complexity of the investment strategies, products and investments utilized, service intensity, degree of custom work, number of entities, number of family members served and travel requirements. If based on a percentage of assets under management, the management fee for the initial quarter is payable on a *pro rata* basis, in arrears, based on the period ending value of the net billable assets under management provided to SHRC by third-party sources such as pricing services, custodians, fund managers and administrators, and client-provided sources. For subsequent quarters, the management fee is generally payable in advance based on the net billable asset value of the client's account(s) on the last day of the previous quarter provided to

SHRC by third-party sources such as pricing services, custodians, fund managers and administrators, and client-provided sources.

If fixed, the management fee for the initial quarter is payable, on a *pro rata* basis in arrears. For subsequent quarters, the fixed fee is payable in advance.

Clients have five (5) business days from the date of execution of the client agreement to terminate SHRC's services. The investment advisory agreement between SHRC and the client may be terminated at will by either SHRC or the client upon written notice. SHRC does not impose termination fees when the client terminates the investment advisory relationship, except when agreed upon in advance. In the event the investment advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

### **B. Payment of Fees**

Clients are generally required to have the firm's annual management fee deducted from the client's account(s) held at the client's custodian. Upon engaging SHRC to manage such account(s), a client grants SHRC this limited authority through a written instruction to the custodian of his/her account(s). The client is responsible to verify the accuracy of the calculation of the management fee; the custodian will not determine whether the fee is accurate or properly calculated. The fee is billed in advance on a quarterly basis, as described above in Item 5.A. A client may utilize the same procedure for the payment of financial planning or consulting fees if the client has accounts held at a custodian.

The custodian of the client's accounts provides each client with a statement, at least quarterly, indicating separate line items for all amounts disbursed from the client's account(s), including any fees paid directly to SHRC.

Clients may make additions to and withdrawals from their account(s) at any time, subject to SHRC's right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets at any time on notice to SHRC, subject to the usual and customary securities settlement procedures. However, the firm generally designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. SHRC may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g. contingent deferred sales charges) and/or tax ramifications.

### **C. Clients Responsible for Fees Charged by Financial Institutions, External Managers, Mutual Funds and Private Funds**

In connection with SHRC's management of an account, a client will incur fees and/or expenses, separate from SHRC's annual management fee. These additional fees may include transaction charges and the fees/expenses charged by any custodian, subadvisor, mutual fund, ETF, CEF, External Manager, Private Fund, separate account manager (and the manager's platform manager, if any), limited partnership, or other advisor, transfer taxes, odd lot differentials, exchange fees, interest charges, ADR processing fees, and any



charges, taxes or other fees mandated by any federal, state or other applicable law, retirement plan account fees (where applicable), margin interest, brokerage commissions, mark-ups or mark-downs and other transaction-related costs, electronic fund and wire fees, and any other fees that reasonably may be borne by a brokerage account. These fees and/or expenses are separate from and in addition to SHRC's annual advisory fee. The client is responsible for all such fees and expenses.

For External Managers, clients should review each manager's Form ADV 2A disclosure brochure and any contract they sign with the External Manager (in a dual contract relationship). If an External Manager is engaged by the client, the client will pay the management fee charged by the External Manager, as well as the annual management fee to SHRC. Similarly, if a client invests in mutual funds, ETFs or other pooled investment vehicles, there will be costs at the fund level (*e.g.*, the expense ratio, management fees, performance fees, etc.). These fees and expenses are separate from and in addition to SHRC's annual investment advisory fee and are the responsibility of the client.

The investment management fee charged by the manager of a Private Fund, are separate from and in addition to, the annual management fee charged by SHRC. The client is responsible for such fees and expenses charged by a Private Fund manager. Clients should review the Offering Materials of the Private Fund for disclosure of fees and expenses charged by the Private Fund.

#### **D. Prepayment of Fees**

As noted in Item 5(B) above, SHRC's management fee generally are paid in advance. Upon the termination of a client's advisory relationship, SHRC will issue a refund equal to any unearned management fee for the remainder of the quarter. The client may specify how he/she would like such refund issued (*i.e.*, a check sent directly to the client or a check sent to the client's custodian for deposit into his/her account).

#### **E. Outside Compensation for the Sale of Securities or Other Investment Products to Clients**

SHRC does not receive compensation for securities transactions in any client account, other than the investment advisory fees noted above.

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

SHRC does not charge performance-based fees or participate in side-by-side management.

However, SHRC may recommend External Managers and investment funds, including Private Funds, which may assess a performance-based fee. Such recommendations to invest with an External Manager or in a Private Fund with a performance-based fee arrangement would be preceded by an assessment as to the suitability and appropriateness of such an investment, relative to other similar investments, if any, which do not assess a performance-fee arrangement.

## **Item 7 – Types of Clients**

SHRC offers investment advisory services to individuals, including high net worth individuals, and entities, including, but not limited to, family offices, trusts, estates, private foundations, charities, small businesses, and pension and retirement/profit-sharing plans.

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

### **A. Methods of Analysis and Investment Strategies**

SHRC generally recommends investment strategies that emphasize long-term ownership of a diversified portfolio of marketable and non-marketable investments intended to provide superior after-tax, inflation-adjusted, economic returns. SHRC generally recommends broad diversification via a long-term asset allocation strategy—diversified both across asset classes and within asset classes—in an effort to improve the risk and return potential of client portfolios. More specifically, SHRC may recommend multiple asset classes (both liquid and illiquid), market capitalizations, market styles, and geographic regions to provide diversification. Other investment strategies that may also be recommended include short-term purchases, margin transactions, short-selling, and options strategies.

Client portfolios with similar investment objectives and asset allocation goals may own different securities and investments. The client's portfolio size, tax sensitivity, desire for simplicity, long-term wealth transfer objectives, time horizon and choice of custodian are all factors that influence SHRC's investment recommendations.

Marketable asset classes recommended by SHRC primarily include equities, corporate bonds, U.S. government and municipal debt securities, mutual funds, CEFs, and ETFs. Investment recommendations may also include warrants, commercial paper, certificates of deposit, options contracts, and interests in limited partnerships or private investment vehicles. Mutual fund, CEF, ETF and separately managed account recommendations are generally developed with the objective of selecting a well-diversified fund, or group of funds, with appropriate historical performance, at a level of volatility (risk) determined to be appropriate for each client.

SHRC may also recommend Private Funds to clients. *See* Item 4(B) ("Types of Advisory Services") for a description of Private Funds.

SHRC relies on various third-parties including investment research organizations, consultants, appraisers, accountants, and lawyers as necessary for specialized assistance. SHRC does not render legal or tax advice.

SHRC does not represent, imply or guarantee that the services or methods of analysis used by SHRC to make investment recommendations can or will produce successful results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or crashes. No guarantees can be offered that a client's goals or objectives will be achieved. Past performance is not an indication or guarantee of future results.

## **B. Material Risks**

The mutual funds, ETFs, CEFs, separately managed accounts, Private Funds and External Managers that the Firm typically utilizes to invest client assets generally own, purchase and sell securities and therefore also involve the risk of loss that is inherent in investing in securities. *Past performance of a security, fund or manager is not necessarily indicative of future performance or risk of loss.* Investing in securities involves a risk of loss. A client can lose all or a substantial portion of his/her investment. A client should be willing to bear such a loss. Some investments are intended only for sophisticated investors and can involve a high degree of risk.

The following events could cause equities and fixed income securities, mutual funds, ETFs, CEFs and Private Funds, and other investments managed for clients, as well as those managed by External Managers, to decrease in value:

- **Market Risk**: The price of an equity security, bond, or mutual fund, ETF or CEF may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's or fund's particular underlying circumstances. For example, changes in political, economic and social conditions may trigger adverse market events.
- **Interest-Rate Risk**: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Event Risk**: An adverse event affecting a particular company or that company's industry could depress the price of a client's investments in that company's stocks or bonds. The company, government or other entity that issued bonds in a client's portfolio could become less able to, or fail to, repay, service or refinance its debts, or the issuer's credit rating could be downgraded by a rating agency. Adverse events affecting a particular country, including political and economic instability, could depress the value of investments in issuers headquartered or doing business in that country.
- **Liquidity Risk**: Securities that are normally liquid may become difficult or impossible to sell at an acceptable price during periods of economic instability or other emergency conditions. Some securities may be infrequently or thinly traded even under normal market conditions.
- **Leverage Risk**: The use of leverage may lead to increased volatility of a fund's NAV and market price relative to its common shares. Leverage is likely to magnify any losses in the fund's portfolio, which may lead to increased market price declines. There is no assurance that a leveraging strategy will be successful.
- **Domestic and/or Foreign Political Risk**: The events that occur in the U.S. relating to politics, government, and elections can affect the U.S. markets. Political events occurring in the home country of a foreign company such as revolutions, nationalization, and currency collapse can have an impact on the security.

- Inflation Risk: Countries around the globe may be more, or less, prone to inflation than the U.S. economy at any given time.
- Currency Risk: Overseas investments are subject to fluctuations in the value of the U.S. dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- Reinvestment Risk: This risk is that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- Operational Risk: Fund advisors and service providers may experience disruptions or operating errors such as processing errors or human errors, inadequate or failed internal or external processes, or systems or technology failures, that could negatively impact the fund.
- Regulatory/Legislative Developments Risk: Regulators and/or legislators may promulgate rules or pass legislation that places restrictions on, adds procedural hurdles to, affects the liquidity of, and/or alters the risks associated with certain investment transactions or the securities underlying such investment transactions. Such rules/legislation could affect the value associated with such investment transactions or underlying securities.
- Illiquid Securities: Investments in Private Funds or other private investment vehicles or private securities may underperform publicly offered and traded securities because such investments:
  - Typically require investors to lock-up their assets for a period and may be unable to meet redemption requests during adverse economic conditions;
  - Have limited or no liquidity because of restrictions on the transfer of, and the absence of a market for, interests in these funds;
  - Are more difficult to monitor and value due to a lack of transparency and publicly available information about these funds;
  - May have higher expense ratios and involve more inherent conflicts of interest than publicly traded investments; and
  - Involve different risks than investing in registered funds and other publicly offered and traded securities. These risks may include those associated with more concentrated, less diversified investment portfolios, investment leverage and investments in less liquid and non-traditional asset classes.

### **Use of External Managers**

SHRC may select certain External Managers to manage a portion of its clients' assets. In these situations, SHRC conducts due diligence of such managers, but the success of such recommendations relies to a great extent on the External Managers' ability to successfully implement their investment strategies. In addition, SHRC generally may not have the ability to supervise the External Managers on a day-to-day basis.

## **Risks of Specific Securities**

### **Mutual Funds and ETFs**

An investment in a mutual fund or an ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (*e.g.*, sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### **Initial Public Offerings**

Investments in initial public offerings (or shortly thereafter) may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including, without limitation, the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them. These factors may contribute to substantial price volatility for such securities and, thus, for the value of the company's shares.

### **Closed-End Funds**

CEFs typically use a high degree of leverage. They may be diversified or non-diversified. Risks associated with closed-end fund investments include liquidity risk, credit risk, volatility and the risk of magnified losses resulting from the use of leverage. Additionally, closed-end funds may trade below their net asset value.

## Options Trading

Certain strategies employed by External Managers, ETFs, CEFs or mutual funds may involve the use of options.

Investments in options contracts have the risk of losing value in a relatively short period of time. Options are investments whose ultimate value is determined from the value of the underlying investment. Option contracts are leveraged instruments that allow the holder of a single contract to control many shares of an underlying stock. This leverage can compound gains or losses.

*Call Options.* The seller (writer) of a call option which is covered (i.e., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

*Put Options.* The seller (writer) of a put option which is covered (i.e., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

*Index Options.* The value of an index or index option fluctuates with changes in the market values of the assets included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular asset, whether the client will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the assets generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular assets.

*Hedging Transactions.* Options may be used for risk management purposes. However, SHRC or an External Manager may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. The use of hedging transactions may result in a poorer overall performance than if SHRC or the External Manager had not engaged in any such transactions. Moreover, client portfolios will always be exposed to certain risks that cannot be hedged.

## Cybersecurity

The computer systems, networks and devices used by SHRC and service providers to SHRC and clients to carry out routine business operations employ a variety of protections designed to prevent damage or

interruption from computer viruses, network failures, computer and telecommunication failures, human error, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks, or devices potentially can be breached. A client could be negatively impacted as a result of a cybersecurity breach. Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information. Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, and other financial institutions; and other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

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

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of SHRC and the integrity of SHRC's management. SHRC has no information to disclose applicable to this Item.

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

#### *Recommendation of External Managers*

SHRC may recommend that clients use External Managers based on the client's needs and suitability. SHRC does not receive separate compensation, directly or indirectly, from such external managers for recommending that clients use their services. SHRC representatives sometimes serve on the advisory boards of External Managers. Neither SHRC nor its representatives receive compensation for service on an advisory board. SHRC believes that service on advisory boards is beneficial to clients as it provides SHRC with the opportunity to advocate for its clients' interests.

#### *Recommendation of Private Funds*

As disclosed in Item 4.B, SHRC may recommend that a client invest in Private Funds based on the client's needs, financial condition, risk profile and other suitability factors. SHRC does not receive separate compensation, directly or indirectly, from the managers of unaffiliated Private Funds. SHRC representatives sometimes serve on the advisory boards of Private Funds. Neither SHRC nor its representatives receive compensation for service on an advisory board. SHRC believes that service on advisory boards is beneficial to clients as it provides SHRC with the opportunity to advocate for its clients' interests.



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

### **A. Description of Code of Ethics**

SHRC has adopted a code of ethics in compliance with applicable securities laws (“Code of Ethics”) that sets forth the standards of conduct expected of all persons associated with SHRC (“Supervised Persons”). SHRC’s Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices, such as the use of material non-public information by SHRC or any of its Supervised Persons and the trading of the same securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of SHRC’s personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). However, SHRC’s Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with SHRC’s policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When SHRC is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (*i.e.*, spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients;  
or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high-quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact SHRC to request a copy of its Code of Ethics.

## **Item 12 – Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker-Dealers**



SHRC does not have discretionary authority to select the broker-dealer/custodian (the “Custodian”) for custody and execution services. Although SHRC lacks discretion over the selection of the Custodian, SHRC generally recommends that its investment management clients utilize the custody and brokerage services of an unaffiliated Custodian with which SHRC has an institutional relationship. Currently, this includes Pershing LLC (“Pershing”), which is a FINRA-registered broker-dealer and member of SIPC and a “Qualified Custodian” as that term is described in Rule 206(4)-2 of the Investment Advisers Act of 1940 (“Advisers Act”). Each Custodian provides custody of securities, trade execution, and clearance and settlement of transactions placed by SHRC. If your accounts are custodied at Pershing, Pershing will hold client assets in a brokerage account and buy and sell securities when SHRC instructs it to.

In deciding to recommend Pershing, some of the factors that SHRC considers include:

- Trade order execution and the ability to provide accurate and timely execution of trades;
- The reasonableness and competitiveness of commissions and other transaction costs;
- Access to a broad range of investment products;
- Access to trading desks;
- Technology that integrates within SHRC’s environment, including interfacing with SHRC’s portfolio management system;
- A dedicated service or back office team and its ability to process requests from SHRC on behalf of its clients;
- Ability to provide SHRC with access to client account information through an institutional website; and
- Ability to provide clients with electronic access to account information and investment and research tools.

SHRC generally places portfolio transactions through the Custodian where the clients’ accounts are custodied. In exchange for using the services of the Custodian, SHRC may receive, without cost, computer software and related systems support that allows SHRC to monitor and service its clients’ accounts maintained with such Custodian.

Pershing also makes available to the Firm products and services that benefit the Firm but may not directly benefit the client or the client’s account. These products and services assist us in managing and administering client accounts. They include investment research, both Pershing’s own and that of third parties. SHRC may use this research to service all or some substantial number of client accounts, including accounts not maintained at Pershing. In addition to investment research, Pershing also makes available software and other technology that:

- provides access to client account data (such as duplicate trade confirmations and account statements);

- facilitates trade execution and allocates aggregated trade orders for multiple client accounts;
- provides pricing and other market data;
- facilitates payment of our fees from our clients' accounts; and
- assists with back-office functions, recordkeeping, and client reporting.

Pershing also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants, and insurance providers.

Pershing may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to the Firm. Pershing may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Pershing may also provide SHRC with other benefits such as occasional business entertainment of SHRC personnel.

Pershing has agreed to pay for eligible third-party vendor services and services such as certain marketing, technology, consulting and research expenses provided by Pershing affiliates.

The reimbursement of transition-related expenses by Pershing presents a conflict of interest because it will be used for the payment of expenses that do not directly benefit client accounts. The financial benefits received from Pershing do not reduce the investment management fees clients pay to SHRC. These products and services from Pershing benefit SHRC in that SHRC does not have to purchase them. The benefits provide an incentive for SHRC to routinely recommend Pershing as custodian over custodians who do not offer such products and services. SHRC addressed this conflict through this disclosure and by reviewing the pricing of fees, expenses and quality of services offered by Pershing and determining that the recommendation of Pershing is in the best interest of clients.

SHRC may offer certain qualified clients trading services which gives SHRC the ability to execute trades through other broker-dealers when placing securities transactions on behalf of clients with assets custodied at Pershing or another broker-dealer. In such instances where SHRC trades away from Pershing or another Custodian, the account will incur a trade-away fee from a Custodian for each transaction that is executed on a trade-away basis. The fee is separate from the commission/transaction fee or mark-up/mark-down imposed by the broker-dealer through which the trade was executed.

Trading away may be advantageous for the client because:

- the broker-dealer may have expertise in a particular security or market;
- the broker-dealer makes a market in a particular security;
- a particular security is thinly traded; or
- the broker-dealer can identify a counter-party for a trade.

A client may pay higher net execution costs than he/she would have paid if the transaction were placed through the Custodian holding his or her assets.

SHRC will periodically review its arrangements with Custodians and other broker-dealers against other possible arrangements in the marketplace as it strives to achieve best execution on behalf of its clients. SHRC maintains a list of broker-dealers that have been approved for trading clients' assets away from a Custodian. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including, but not limited to, the following:

- a broker-dealer's trading expertise, including its ability to complete trades, execute and settle difficult trades, obtain liquidity to minimize market impact and accommodate unusual market conditions, maintain anonymity, and account for its trade errors and correct them in a satisfactory manner;
- a broker-dealer's infrastructure, including order-entry systems, adequate lines of communication, timely order execution reports, an efficient and accurate clearance and settlement process, and capacity to accommodate unusual trading volume;
- a broker-dealer's ability to minimize total trading costs while maintaining its financial health, such as whether a broker-dealer can maintain and commit adequate capital when necessary to complete trades, respond during volatile market periods, and minimize the number of incomplete trades;
- a broker-dealer's ability to provide research and execution services, including advice as to the value or advisability of investing in or selling securities, analyses and reports concerning such matters as companies, industries, economic trends and political factors, or services incidental to executing securities trades, including clearance, settlement and custody; and
- a broker-dealer's ability to provide services to accommodate special transaction needs, such as the broker-dealer's ability to execute and account for client-directed arrangements and soft dollar arrangements, participate in underwriting syndicates, and obtain initial public offering shares.

As described above, Pershing provides to SHRC, without cost, research and trade execution services. Pershing makes these services available to similarly situated investment advisers whose clients custody their assets with Pershing. Access to research and trade execution services is not predicated on the execution of client securities transactions (*e.g.*, not "soft dollars"). SHRC has not entered into any formal "soft dollar" arrangements with broker-dealers.

SHRC's clients may utilize qualified custodians other than Pershing for certain accounts and assets, particularly where clients have a previous relationship with such qualified custodians. SHRC may choose to recommend additional qualified custodians in the future.

#### Brokerage for Client Referrals

SHRC does not select or recommend broker-dealers based solely on whether or not it may receive client referrals from a broker-dealer or third party.

#### Client-Directed Brokerage

SHRC does not permit clients to direct brokerage.

#### Trade Errors

SHRC's goal is to execute trades seamlessly and in the best interests of the client. In the event a trade error occurs, SHRC endeavors to identify the error in a timely manner, correct the error so that the client's account is in the position it would have been had the error not occurred, and, after evaluating the error, assess what action(s) might be necessary to prevent a recurrence of similar errors in the future.

### **B. Trade Aggregation**

To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which the Firm's Supervised Persons may invest, the Firm will generally do so in a fair and equitable manner in accordance with applicable rules promulgated under the Advisers Act and guidance provided by the staff of the SEC and consistent with policies and procedures established by the Firm.

## **Item 13 – Review of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

SHRC review client investment accounts periodically on both a formal and informal basis. The frequency and nature of the review varies from client to client, and is generally driven by client circumstances and desires, changes in the client's financial condition, market conditions, the type of strategy pursued by or for the client, and other considerations.

### **B. Other Reviews**

Factors that might trigger a review, other than a periodic account review, include: extraordinary events (*e.g.* severe market turbulence), change in the tax laws or major investment developments. Significant changes in a client's financial situation and/or objectives that are brought to the attention of SHRC may also trigger a review.

### **C. Content and Frequency of Regular Reports Provided to Clients**

Clients will receive brokerage statements no less than quarterly from the Custodian. Client brokerage statements will include all positions, transactions and fees relating to the client's account(s). These brokerage statements are sent directly from the Custodian to the client. The client may also establish electronic access to the Custodian's website so that the client may view these reports and their account activity.

SHRC advisors generally provide clients with periodic reporting regarding their holdings, allocations, valuation and performance.

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

##### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients**

SHRC does not receive benefits from third parties for providing investment advice to clients.

##### **B. Compensation to non-Supervised Persons for Client Referrals**

SHRC does not currently have referral arrangements with solicitors but may in the future enter into referral arrangements with unaffiliated individuals who may from time-to-time refer potential investors to SHRC for investment management services and be compensated for successful referrals. Solicitation arrangements inherently give rise to potential conflicts of interest because the solicitor is receiving an economic benefit for the recommendation of advisory services. SHRC addresses these conflicts through this disclosure. If a client is introduced to SHRC by a solicitor, SHRC has agreed to pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any referral fees incurred for successful solicitations are paid solely from SHRC's advisory fee, and do not result in any additional charge to the client. If the client is introduced to SHRC by a solicitor, the solicitor is required to provide the client with a copy of SHRC written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement, including the compensation the solicitor is to receive.

#### **Item 15 – Custody**

SHRC's clients' assets are held at unaffiliated "qualified custodians" as detailed in Item 12. Although SHRC does not hold client assets, it is deemed to have custody for purposes of amended Rule 206(4)-2 of the Advisers' Act due to (i) in managing client accounts, SHRC has the ability to deduct its advisory fee from client accounts held at the Custodian; (ii) the fact that some of SHRC's clients have created through their Custodian standing third-party money movement instructions giving SHRC the ability to direct the client's money to such third party; and (iii) the fact that some of SHRC's clients have created through their Custodian standing first-party wire instructions giving the Firm the ability to direct the Custodian to send the client's money to a first-party account at another institution.

The Custodian has agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to SHRC. SHRC encourages clients to review the official statements provided by the Custodian, and to compare such statements with any reports received from SHRC. For more information about Custodians and brokerage practices, see Item 12, Brokerage Practices.

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

Clients have the option of providing SHRC with investment discretion on their behalf, pursuant to a grant of a limited power of attorney contained in SHRC's client agreement. By granting SHRC investment discretion, a client authorizes SHRC to direct securities transactions and determine which securities are bought and sold, the total amount to be bought and sold, and the costs at which the transactions will be effected. Clients may impose reasonable limitations in the form of specific constraints on any of these areas of discretion with the consent and written acknowledgement of SHRC. *See also* Item 4(C), Client-Tailored Advisory Services.

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

SHRC does not vote client securities (proxies) held in client accounts. Clients remain responsible for such matters.

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

#### **A. Balance Sheet**

SHRC does not require prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore does not need to include a balance sheet with this Brochure.

#### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither SHRC nor its management has any financial conditions that are reasonably likely to impair its ability to meet contractual commitments to clients.

#### **C. Bankruptcy Petitions in Previous Years**

SHRC has not been the subject of a bankruptcy petition.