

# ITEM 1: COVER PAGE

## Commonwealth Asset Management LP Part 2A of Form ADV The Brochure

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This brochure provides information about the qualifications and business practices of Commonwealth Asset Management LP and Commonwealth Real Estate LP (collectively “CWAM” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at +1 (424) 363 0173. 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 CWAM is also available on the SEC’s website at: [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

The delivery of this Disclosure Document at any time does not imply that the information contained herein is correct as of any time subsequent to the date shown above. This Disclosure Document will supersede all other documents containing information about this advisory program.

CWAM is an investment adviser that is registered with the SEC. Registration with the SEC does not imply a certain level of skill or training.

## ITEM 2: Material Changes

CWAM's Form ADV Part 2A has been revised to include references to Commonwealth Real Estate LP who is filing as a relying adviser.

### Important Note about this Brochure

This Brochure is not:

- an offer or agreement to provide advisory services to any person,
- an offer to sell interests (or a solicitation of an offer to purchase interests) in any fund,
- a complete discussion of the features, risks or conflicts associated with any fund or service, or
- to be relied on in determining whether to invest or establish an advisory relationship

As required by the Investment Advisers Act of 1940, as amended ("Advisers Act"), CWAM provides this Brochure to current and prospective Clients and may also, in its discretion, provide this Brochure to current or prospective investors in private funds (which include collective investment schemes and funds of one) advised by CWAM, together with other relevant offering materials (such as subscription agreements, offering memoranda, operating agreements or advisory contracts), prior to, or in connection with, such persons' establishment or consideration of an advisory relationship with CWAM. Additionally, this Brochure is available through the SEC's Investment Adviser Public Disclosure website.

Although this publicly available Brochure describes investment advisory services and products of CWAM, persons who receive this Brochure (whether or not from CWAM) should be aware that it is designed solely to provide information about CWAM as necessary to respond to certain disclosure obligations under the Advisers Act. As such, more complete information about each Client, as well as CWAM's investment advisory services, is included in relevant offering materials or investment management agreements, which are provided to current eligible prospective investors only by CWAM or an administrator or placement agent. To the extent that there is any conflict between discussions herein and similar or related discussions in any offering materials, the relevant offering materials should govern.

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## ITEM 4: Advisory Business

### Operational and Organizational Information

Commonwealth Asset Management LP, a Delaware Limited Partnership, is an investment adviser registered with the SEC and was founded on January, 29 2019 to provide investment management services to funds, vehicles and managed accounts focusing on a global macro strategy.

Commonwealth Real Estate LP, a Delaware limited liability company, provides investment management and financial advisory services focusing on a real estate strategy to a pooled investment vehicle, Commonwealth Real Estate Opportunities Master Fund LLC (together with any parallel investment vehicles and alternative investment vehicles, the “Real Estate Fund”, that is exempt from registration under the Investment Company Act of 1940, as amended (the “Investment Company Act”).

Pursuant to an SEC No-Action Letter (American Bar Association, Business Law Section, publ. avail. January 12, 2012), this Brochure describes the advisory services provided by Commonwealth Asset Management LP as ‘filing adviser’ as well as Commonwealth Real Estate LP as a “relying adviser”.

For the purpose of this Brochure, Commonwealth Asset Management LP (the filing adviser) and Commonwealth Real Estate LP (the relying adviser) with any affiliates and associated investment vehicles are collectively referred to as CWAM. CWAM is led by its indirect majority principal owner, Adam Fisher. Adam Fisher is the former Head of Global Macro and Real Estate at Soros Fund Management LLC (“Soros”) and the former founder and CIO of Commonwealth Opportunity Capital, GP LLC (“CWOC”).

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### Types of Advisory Services Offered

CWAM provides investment management services for private pooled investment vehicles, funds of one and managed accounts on a discretionary and advisory basis and manages assets across a number of diversified strategies which include, but are not limited to, those focused on (i) themes related to global macroeconomic conditions trading a wide variety of products and instruments, including among others, derivative instruments, interest rates, currencies, equities, commodities, debt securities and (ii) the acquisition and financing of opportunistic real estate assets, the acquisition or formation of real estate operating platforms and other illiquid real estate investments.

### Client Investment Guidelines and Parameters

Each Client managed by CWAM has its own investment objectives, strategies and restrictions. CWAM prepares governing documents with respect to each Client that contain more detailed information, including a description of the investment objectives and strategy or strategies employed and related restrictions. The governing documents include but are not limited to offering memorandums, investment management agreements or sub-advisory agreements depending on the type of Client.

When deemed appropriate, CWAM has established, and may in the future establish, managed accounts and funds of one which tailor their investment objectives, guidelines, and restrictions, terms and/or fees different from those of the private funds. Such investment objectives, fee arrangements and terms have been and will be individually negotiated.

While managed accounts and funds one of one may be reasonably tailored to the individual needs of a Client, as agreed to with CWAM, the pooled private funds may not be tailored to meet the individualized investment needs of any particular investor. An investment in a private fund does not create a client-adviser relationship between CWAM and an investor,

Current and prospective investors must consider whether a particular private fund or advisory relationship is appropriate to their own circumstances based on all relevant factors including, but not limited to, the investor's own objective, liquidity requirements, tax situation and risk tolerance.

### Wrap Fee Programs

CWAM does not participate in wrap fee programs.

### Assets Under Management

The Firm manages Client assets on a discretionary or advisory basis. The value of Regulatory Assets Under Management of the Client assets managed by CWAM as of September 30, 2019 is \$0.0 in discretionary assets under management. Additionally, CWAM has \$0.0 in advisory assets.

## ITEM 5: Fees and Compensation

### Management Fee

#### Macro funds

Management fees range up to 1.5% of assets under management and are, in general, payable monthly in arrears. Fees are generally based on the market value of the securities and cash in the portfolio on the appraisal date of the account. The fees paid may differ based on account size, strategy and complexity. Incentive fees are up to 20% of any increase in the asset value over and above a target percentage rate as of the fund's fiscal year end. All performance and management fees may vary upon investor, strategy and fund structure. Investment management and performance fees may be negotiated depending on product type.

When deemed appropriate, CWAM has established, and may in the future establish, managed accounts and funds of one, which (i) tailor their investment objectives, guidelines, and restrictions to specific private funds and/or (ii) are subject to objectives, guidelines, and restrictions, terms and/or fees different from those of the private funds. Such investment objectives, fee arrangements and terms have been and will be individually negotiated.

#### Real estate funds

CWAM will not receive a management fee in connection with managing the Real Estate Fund. CWAM and its affiliates may receive monitoring fees, transaction fees, acquisition fees, asset management fees, development fees, disposition fees, financing fees, leasing fees, construction management fees, property management fees, advisory fees, closing fees, director fees or other similar fees in respect of services associated with investments or proposed investments of commitments made by the Real Estate Fund.

CWAM will be entitled to any such compensation received by CWAM from any Third-Party LP related to the Investment Vehicles established to invest in such Real Estate Assets (whether directly or by virtue of CWAM's ownership interest in the Fund). Management fees and incentive fees are paid by investors of the real estate funds in accordance with the relevant limited partnership agreement. Each limited partnership agreement relates to a specific real estate transaction (s) so is bespoke for each Client. Clients may provide a credit line for working capital to be used by the Firm instead of paying the whole or part of the management fee.

When deemed appropriate, CWAM has established, and may in the future establish, managed accounts and funds of one, which (i) tailor their investment objectives, guidelines, and restrictions to specific private funds and/or (ii) are subject to objectives, guidelines, and restrictions, terms and/or fees different from those of the private funds. Such investment objectives, fee arrangements and terms have been and will be individually negotiated.

For both the macro and real estate strategies, CWAM, in its discretion, may offer to waive, reduce or rebate all or any portion of the management fee for shareholders and/or limited partners that are members, employees or affiliates of CWAM, relatives of such persons, and for certain other Shareholders. No waiver, reduction or rebate of the management fee for any Shareholder will entitle any other Shareholder to any such waiver, modification or rebate.

#### Compensation, Redemption & Terminations

Investor redemptions are subject to the vehicle or form of investment in which the assets are held. Private fund investors in the macro funds are subject to redemption requirements as set forth in the governing documents, which typically limit redemptions to once a quarter with proper advance notice for the portfolios. Investors may redeem by written notice to the private Client Fund Administrator or directly to CWAM in accordance with the governance agreements.

Private funds investors in the real estate funds have no redemption rights in accordance with the relevant limited partnership agreement. Generally, funds are structured for a fixed term and no withdrawals or transfers are allowed except with the consent of CWAM.

Managed account and fund of one Clients may have redemption rights in accordance with the terms stated in the relevant governing documents.

Investors in certain private funds may redeem by written notice to the private fund Administrator. Private fund investors are subject to redemption requirements as set forth in the governing documents. Advisory agreements may be terminated according to the terms stated in the relevant governing documents and no withdrawals or transfers are allowed except with the consent of CWAM.

#### Billing

Fees are automatically deducted from the private funds. Managed accounts are either billed for fees incurred or will have the fees deducted directly, depending upon the terms of the governing documents. With respect to managed accounts, management fees may be paid quarterly or monthly, in advance or in arrears, as agreed on with the client. CWAM does not require or permit Clients to pay any fees in advance.

#### Other Expenses

Clients and investors may incur other expenses separate and apart from the Firm's investment management and incentive fees. These expenses typically include custody fees, trading and brokerage service fees, other transaction fees, and/or other expenses associated with the private fund or investment vehicle in which assets are invested. The exact expenses paid by an investor will be further discussed in the relevant governing documents.

#### Sales-based Compensation

Neither the Firm nor any of its principals or employees receives any transaction-based compensation for the sale of securities or other investment products except as outlined as above.

## **ITEM 6: Performance Based Fees and Side-by-Side Management**

As stated in “Item 5 — Fees and Compensation” above, CWAM receives an incentive allocation that is based on capital appreciation of, or capital gains on, the Funds’ assets. CWAM’s eligibility to receive profit allocations, however, may create an incentive for CWAM to trade and invest the Funds’ portfolios in a riskier or more speculative manner than CWAM otherwise would. CWAM has adopted and implemented written compliance policies and procedures that are designed to address the above conflict of interest. Further, as a fiduciary, CWAM recognizes its duties to act in good faith and with fairness in all of its dealings with the Funds.

## **ITEM 7: Types of Clients**

CWAM provides investment advisory services to private investment funds, organized as limited partnerships, limited liability companies, or other legal entities, in which investors are accredited investors or qualified purchasers. These private funds or any associated limited partners are not registered under federal securities laws and typically utilize sophisticated investment strategies and proprietary investment models.

The Firm's managed accounts may include pension funds, insurance companies, banks, foundations, endowments, trusts, estates, family offices, high-net worth individuals, proprietary accounts and other institutions. Investors in the collective investment vehicles primarily include US and non-US individuals, estates, charitable organizations, banks and corporations.

The minimum dollar amount of assets ordinarily required for the establishment of an investment adviser account is \$1,000,000. Smaller accounts may be accepted on an accommodation basis or when it is deemed likely that the minimum dollar size will be achieved within a reasonable period of time or in conjunction with other accounts.

## **ITEM 8: Methods of Analysis, Investment Strategies and Risk of Loss**

### **Global Macro Strategy & Investment Process**

For the majority of its Clients, CWAM will utilize an opportunistic global macro strategy. CWAM focuses on understanding the impact of economic, political and social events on the world’s financial markets. CWAM employs macroeconomic principles to attempt to generate returns by positioning for price movements in credit, currencies, commodities, interest rates and equities in any global market. CWAM’s investment process is predicated on a top-down approach, analyzing key fundamental macro drivers that exist during each business cycle including, but not limited to: economic activity, global risk premiums, monetary policy, capital account, current account balance, trade weighted currency reserves, output gap, political landscape and flow of funds. CWAM utilizes leverage to increase its exposure to investments and therefore potential for profits and losses, both through traditional borrowing and through the use of derivatives and other financial instruments.



CWAM's investment process is predicated on a top-down approach, analyzing key fundamental macro drivers including, but not limited to:

- ☐ Economic Activity
- ☐ Global Risk Premiums
- ☐ Monetary Policy
- ☐ Capital Account
- ☐ Current Account Balance
- ☐ Trade Weighted
- ☐ Currency Reserves
- ☐ Output Gap
- ☐ Political Landscape
- ☐ Flow of Funds
- ☐ GDP Growth & Inflation

This analysis informs CWAM's views on the global economy and leads to investment themes. CWAM then determines the most efficient trading mechanisms to express these views and analyzes the impact of trading themes on the entire portfolio. CWAM can use any financial instrument to express these views including but not limited to equities, fixed income, currencies and derivatives. The size and structure of the investment is carefully considered. The risk/reward of CWAM's investments and portfolio themes are constantly monitored as they are constantly competing for capital against potential new ideas, themes, and vehicles. This section on risk factors is a summary of certain risks that may be applicable to an investment in a Client with respect to which the global macro strategy is utilized. Fund investors should refer to each Client's offering documents and/or agreements related to investing with CWAM for additional information regarding risks.

CWAM's interpretation of the structural macro regime drives overall portfolio construction and shepherds underlying portfolio biases. The amount of residual beta the Fund will hold is a function of CWAM's belief in the persistence of the current macroeconomic regime. Factors analyzed during this regime assessment include, but are not limited to: economic activity, global risk premiums, monetary policy, capital account, current account balance, trade weighted currency reserves, output gap, political landscape and flow of funds.

The Fund may also have thematic portfolio expressions. These views may or may not form a natural add-on to the structural macro narrative, but they differ in that CWAM is not trying to harvest broader risk premium driven by the structural macro regime analysis from them. Instead, these themes earn their position in the portfolio through their own fundamental merits. Some themes sit comfortably within the established macro narrative, others may sit outside of or temporarily opposed to it and may even be partial portfolio hedges to the overall structural macro narrative.

Once opportunities are identified, CWAM then determines the most efficient trading mechanisms to express these views and analyzes the impact of trading themes on the entire portfolio. The size and structure of the investment is carefully considered. In trade structuring, CWAM takes into account the return and volatility expectation of each individual instrument as well as the correlation between the instruments within the portfolio on a current and forward-looking basis often with the intention to be able to hold such positions over the course of a year and beyond whilst realizing ex post Sharpe ratios consistent with the Fund's expectations.

Depending on conditions and trends in securities markets, the Fund may concentrate a significant percentage of its assets in a relatively small number of investments or positions. In addition, given the opportunistic nature of the Fund's investment strategy, there will be times when Fund capital is not fully deployed due to the relative lack of attractive investments in the market.

CWAM seeks to maintain on behalf of its Clients diversified portfolios across a variety of industries, issuers, asset classes and obligations. There can be no assurance that CWAM's investment objectives will be achieved or that investors will not lose some or all of their investment.

### Real Estate Strategy & Investment Process

CWAM, on behalf of its client, will pursue the acquisition and financing of opportunistic real estate assets, the acquisition or formation of real estate operating platforms and other illiquid, real estate-related investments (collectively, "Real Estate Assets").

### **Risks**

There can be no assurance that CWAM's investment activities will be successful or that clients will not suffer losses. This section sets out some of the risks that may be associated with the strategies or products that CWAM may utilize in advising its Clients. The following explanation of certain risks is not intended to be exhaustive, but highlights some of the more significant risks involved in CWAM's investment strategies.

*Key Person/ Limited Operating History:* Adam Fisher is principally responsible for Clients' investment activities. If Mr Fisher is not available to the Firm, the Clients' performance could be adversely affected. The Firm will provide investors with prompt notice in the event that Mr Fisher is not available to lead CWAM's investment activities. Both CWAM and the Funds have a limited or no operating history. Further, prior investment performance of CWAM's key personnel does not necessarily indicate that the Fund's prospectus for profitability. Neither the funds nor CWAM can or do give any assurance that CWAM or the funds will achieve profits or will not incur substantial losses.

*Cyber Security:* CWAM and its Client's information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons, other security breaches and / or usage errors by their respective professionals. Although CWAM has 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, CWAM may have to make a significant investment to fix or replace them. The failure of these systems for any reason could cause significant interruptions in CWAM's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm CWAM's and its Clients reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect their business and financial performance.

*Market Risk:* The success of CWAM's investment strategies depends, in large part, on correctly evaluating future price movements and/or cash flows of potential investments. CWAM cannot guarantee that it will be able to accurately predict these price movements or cash flows and that its investment programs will be successful. Investments in securities and other financial instruments involve a degree of risk that the entire investment may be lost.

### Macro Strategy

The following paragraphs set out more specific details on subsets within the Market Risk umbrella for the macro strategy.

*Interest Rate and Exchange Rate Risk:* CWAM may invest its Clients' assets in financial instruments whose value may be adversely affected by changes in interest rates or foreign exchange rates.

*Credit Risk:* CWAM may invest its Clients' assets in securities which are exposed to the risk that the borrower will be unable to meet its repayment obligations. The credit rating and risks associated with such securities can change over time and therefore affect the performance of such investments.

*Hedging Transactions:* CWAM often engages in hedging transactions on its Clients' behalf. Employing hedging techniques is intended to reduce a portfolio's vulnerability to various risks. Hedging entails determining certain risks in one's portfolio and making trades to offset those risks. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the value of portfolio positions or prevent losses if the value of such positions decline, but rather it establishes other positions designed to gain from those same developments, moderating the decline in the portfolio positions' value. On the other hand, hedging transactions also limit the opportunity for gain if the value of the portfolio position should increase. The success of a Client's hedging strategy is subject to CWAM's ability to assess correctly the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. There is a risk that CWAM may not always choose the right variable to hedge against. Also, it is important to note that CWAM may not always choose to hedge against, or might not anticipate, certain risks, and its Clients' portfolios will always be exposed to certain risks that cannot be hedged. Many other investment strategies CWAM employs can be used as hedging techniques, such as those employing options, futures contracts, forward contracts, swaps, currency transactions and short selling

*Counterparty Risk:* CWAM's Clients may suffer losses if a counterparty to a financial instrument defaults and fails to meet its payment obligations to the Client. In most circumstances, CWAM relies on two way margining methods to reduce counterparty risk to market movements of a few days, rather than the full face value of instruments, as such our counterparty risk is akin to margining risk.

*Margin Transactions and Leverage:* To increase buying power, CWAM engages in certain margin transactions on behalf of its Clients. Trading on margin is a form of leverage. Securities purchased on margin serve as collateral for the broker's loan. Trading on margin is risky because it not only can increase gains, but also can amplify losses to the point where a Client may lose more than its initial investment. CWAM may employ short-term margin borrowing, which can be especially

risky. For example, should the collateralized securities decline in value, a Client could be subject to a “margin call,” under which it must either deposit additional funds or securities with the broker or sell the pledged securities to compensate for the decline in value. If the value of a Client’s assets suddenly drops, CWAM might not be able to liquidate the Client’s assets quickly enough to satisfy its margin requirements.

*Liquidity Risk:* CWAM invests in assets which are normally easy to buy and sell and, under normal market conditions, may be sold at their fair market value. However, in certain extreme situations (e.g. periods of market turbulence) the tradability of the assets may be adversely affected so that it may be difficult to buy or sell assets in a timely fashion or it may only be possible to sell the assets at a loss, thereby reducing the value of Clients’ investments. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of Clients’ positions resulting in potentially greater losses.

*Short Selling and Repurchase Agreements (“Repo”):* Short selling of securities and repos occurs when CWAM borrows securities and sells them, promising to buy them at a later date to return to the lender. If the price drops, CWAM can buy the securities at the lower price and make a profit on the difference. If the price of the securities rises, CWAM has to buy them back at the higher price, and the investment loses money. Buying the securities can itself cause the price of the securities to rise further which would exacerbate the potential for loss. In the case of repos, given the larger volume and use for funding, transactions and the reliability of conducting such are at risk of the regulatory environment for banks and their ability to extend balance sheet, as well as the financing liquidity conditions in the market generally.

*Legal and Regulatory Change:* Market disruptions over recent years and the increase in capital being allocated to hedge funds and other alternative investment vehicles have led to increased scrutiny and regulation over the hedge fund and asset management industry and the products and markets that they trade. In addition, the laws and regulations affecting business continue to evolve unpredictably. Laws and regulations applicable to CWAM’s Clients, especially those involving taxation, investment and trade, can change quickly and unpredictably in a manner adverse to Clients’ interests.

*Country Risks, especially Emerging Markets Risk:* CWAM may invest its Clients’ assets in securities, instruments or foreign exchange linked to certain emerging markets or less developed countries. Such markets or countries may face more political, economic or structural challenges than developed countries. This may mean that the value of Clients’ investments in such markets or countries is at greater risk of suffering loss and therefore the value of Clients’ investments is at greater risk. In addition, there may be less information available regarding global securities because companies and governments in other countries may have different standards of accounting, auditing and financial reporting compared to those of the U.S. There also might be a greater risk of political, social or economic instability and the possibility that withholding or other taxes may be imposed on Clients’ income. CWAM may also may have less familiarity with legal systems in other countries.

The following paragraphs set out additional information with respect to certain risks that may be associated with the products or instruments that CWAM may trade on behalf of its Clients in respect of the macro strategy.

*Currencies:* CWAM may, on behalf of its Clients, enter into transactions to purchase or sell one or more currencies to hedge a currency exposure created by other investment activities. Because currency control is of great importance to the issuing governments and influences economic planning and policy, purchases and sales of currency and related instruments can be negatively affected by government exchange controls, blockages, and manipulations or exchange restrictions imposed by governments. These can result in losses to CWAM's Clients.

*Bond and Debt Securities:* CWAM may buy bonds, which are assets. All debt instruments may be exposed to all of the main risks outlined above in particular credit risk and interest rate risk. Debt securities may be subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer, general market liquidity, new supply by the same issuer and other economic factors, amongst other issues. When interest rates rise, the value of corporate debt securities can be expected to decline. Fixed-rate transferable debt securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities. Certain sovereign securities are also sensitive to the financial condition of the economy and financial markets as these instruments play heavily in funding financial transactions industry wide, introducing new supply and demand risks to these instruments' valuations.

*Equity Securities:* CWAM may buy equity securities, seeking to profit from both security selection and thematic sector or market timing decisions. The value of these investments will generally vary with their issuer's performance and movements in the equity markets. Consequently, CWAM's Clients may suffer losses if it purchases equity instruments of issuers whose performance diverges from its expectations or if equity markets generally move in a downward direction and it has not hedged against this type of move (see above for an explanation of risks associated with hedging) or corporate actions are taken that directly or indirectly adversely affect the valuation of the equity securities.

*Derivatives:* CWAM may invest its Clients' assets in both exchange-traded and over-the-counter derivatives, including, but not limited to, futures, forwards, swaps, options and contracts for differences, as part of its investment approach. These instruments can be highly volatile, incorporate leverage, and expose investors to a high risk of loss. Trading in derivatives often involves trading on margin and using leverage which carries certain risks which are described in more detail below. The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, potentially resulting in unexpected losses. Further, when used for hedging purposes, there may be an imperfect correlation between these instruments and the investments or market sectors being hedged. Transactions in over-the-counter contracts may involve additional risk as there is no exchange market on which to close out an open position. The derivatives markets are frequently characterized by limited liquidity, which may make it difficult, as well as costly, to close out an open position to realize gain or to limit loss. It may not be possible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk.

Examples of the derivatives more widely traded on behalf of CWAM's Clients are set out below and are not intended to be an exhaustive list of all derivatives that may be traded on behalf of CWAM's Clients.

*Interest Rate and Inflation Swaps:* CWAM may invest its Clients' assets in interest rate and inflation swaps. An interest rate swap is a contract between two parties under which parties exchange interest rates on a principal amount. Investing in interest rate swaps carries the risk that interest rates will go in an unanticipated direction, which could result in losses to CWAM's Clients. Recent regulatory changes have required certain standardized interest rate swaps to be cleared through a central clearing house. For over-the-counter interest rate swaps that are not centrally cleared, the risk also exists that the other party will default and be unable to complete the contract, which could also result in losses to CWAM's Clients.

*Credit Default Swaps:* CWAM may invest in credit default swaps to implement its Clients' investment strategies. Although recent regulatory changes have required certain standardized credit default index swaps to be centrally cleared, certain other credit default swaps remain traded on a bilateral, over-the-counter basis. The possibility exists that the counterparty may not have the financial strength to abide by the contract's provisions, which, for credit default swaps that are not cleared through a central clearing house, would expose Client's to the risk of losses due to a counterparty default. The leverage involved in many credit default swap transactions, and the possibility that a widespread downturn in the market could cause massive defaults and challenge the ability of risk-buyers to pay their obligations, both add to the uncertainty of an investment in these instruments.

*Futures:* A future, also known as a futures contract, is a contractual agreement to buy or sell a particular commodity or financial instrument at a pre-determined price on a pre-determined date in the future. At times, futures may be illiquid investments because certain commodity exchanges limit fluctuations in particular futures contract prices during a single day. Once the price of a futures contract has increased or decreased by an amount equal to the daily limit, that contract cannot be traded unless traders are willing to trade it within that limit. This could prevent CWAM from promptly selling unfavorable contracts and thus would subject its Clients to substantial losses. There is also the risk that an exchange or the Commodity Futures Trading Commission may suspend trading, order immediate liquidation or settlement in a particular contract. This could also prevent CWAM from promptly selling unfavorable contracts.

*Forwards:* A forward, or a forward contract, is a contract between two parties to buy or sell an asset at a specified future date at a price agreed upon at the time the contract is made. It is very similar to a futures contract, except forward contracts are negotiated privately and are not traded on an exchange, and thus, are not subject to limitations on daily price moves. On the other hand, this means that there is not a big secondary market for certain forwards, which means they may be difficult to sell should they become unfavorable for CWAM's Clients. They also expose Clients to the risk that the counterparty to the Forward may not perform on its obligations, creating the potential for loss.

*Options:* There are certain risks associated with the sale and purchase of options. CWAM may, on behalf of its Clients, invest in call and/or put options. A buyer of either type of option assumes the risk of losing its entire investment in the option. A buyer of a call option risks losing its investment if the underlying security never reaches the designated price within the set time period. A buyer of a put option risks losing its investment if the underlying security does not decline enough to reach the designated price within the set time period. CWAM may trade options over-the-counter, instead of on an exchange. The risk of non-performance by opposing parties on over-the-counter options is typically greater than the risk of non-performance on exchange-traded options. Also, options not traded on exchanges are not subject to the same level of government regulation as are exchange-traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with over-the-counter transactions. Not only may CWAM buy and sell traditional equity stock options on behalf of its Clients, but it may buy and sell options on any of the instruments that are discussed in this section.

*Securitized Products:* CWAM may also invest, on behalf of its Clients, in securitized products or derivatives thereof such as Residential Mortgage-Backed Securities (“RMBS”), Asset Backed Securities (“ABS”), Commercial Mortgage Backed Securities (“CMBS”) and Collateralized Loan Obligations (“CLO”). Investing in securitized products carries unique risks, including credit risks, market risks, interest rate risks, tranche or subordination risks, structural risks, a wide range of regulatory risks, higher liquidity risk, legal risks and timing risks that mean market risks are not always capable of being hedged.

CWAM encourages its Clients to consider all of the risk factors it has explained, as an investment can be risky and Clients must be prepared to assume any potential loss. Further details of the risks associated with the investment strategies pursued by CWAM on behalf of its Clients are set out in the offering memoranda for such Client funds.

*Business Continuity and Disaster Recovery:* CWAM and its Clients business operations may be vulnerable to disruption in the case of catastrophic events such as fires, natural disaster (e.g., tornadoes, floods, hurricanes and earthquakes), terrorist attacks or other circumstances resulting in property damage, network interruption and / or prolonged power outages. Although CWAM has implemented various measures to manage risks relating to these types of events, there can be no assurances that all contingencies can be planned for. If such business operations are disrupted or suspended for extended periods of time, CWAM’s Clients may be adversely affected.

## **Real Estate Strategy**

The following paragraphs set out more specific details on subsets within the Market Risk umbrella for the real estate strategy.

*Lack of Liquidity.* There is no public market for the interests in the Real Estate Fund, and one is not expected to develop. Investors in the Real Estate Fund are not permitted to sell, transfer, assign, pledge or otherwise dispose of their interest in the Fund without the prior written consent of CWAM which generally may be given or withheld in CWAM’s sole discretion.

*Highly Competitive Market for Investment Opportunities.* The activity of identifying, completing and realizing attractive investments is highly competitive and involves a high degree of uncertainty. The Real Estate Fund will face competition from numerous competitors in all fields of activity. The Real Estate Fund competes for investments with a variety of other public and private investment vehicles, as well as individuals, financial institutions and other institutional investors. There can be no assurance that the Real Estate Fund will be able to locate and complete investments that satisfy its investment objectives or permit the full investment of all available capital.

*Fund Level Borrowing.* The Real Estate Fund from time-to-time will be permitted to borrow funds or enter into other financing arrangements for various reasons (e.g., to fund an investment prior to receiving capital contributions from the investors). The Real Estate Fund's use of borrowed funds will affect the calculation of net performance metrics and may make net IRR calculations higher than they otherwise would be without fund-level borrowing. Such borrowings also may increase the potential exposure of the Real Estate Fund to a particular Investment. In addition, borrowings by the Real Estate Fund may be secured by available commitments to the Real Estate Fund, as well as by the Real Estate Fund's assets, and the documentation relating to such borrowings is expected to provide that during the continuance of a default under such borrowings, the interests of the investors may be subordinated to such Real Estate Fund-level borrowing. Moreover, tax-exempt investors should note that the use of leverage by the Fund may cause the realization of "unrelated business taxable income."

*Leverage.* Certain of the Real Estate Fund's Investments may include properties whose capital structures have significant leverage. While investments in leveraged properties offer the opportunity for capital appreciation, such investments also involve a high degree of risk. Properties in which the Real Estate Fund invests may be highly leveraged and therefore may be more sensitive to adverse business or financial developments or economic factors. Moreover, rising interest rates may have a more pronounced effect on the profitability or survival of such properties. Although CWAM will seek to use leverage in a manner it believes is appropriate under the then-circumstances, the leveraged capital structure of such properties will increase the exposure of such Investments to adverse economic factors, such as rising interest rates, downturns in the economy or deteriorations in the condition of such Investments or their industries and may impair such Investments' ability to finance their future operations and capital needs, resulting in restrictive financial and operating covenants. Consequently, such Investments' flexibility to respond to changing business and economic conditions may be limited. If for any of these reasons an Investment is unable to generate sufficient cash flow to meet principal or interest payments on its indebtedness or make regular dividend payments, the value of such Investment could be significantly reduced or even eliminated. Moreover, the Real Estate Fund may invest in properties that are not protected by financial covenants or limitations on additional indebtedness.

*Concentration of Investments.* The Real Estate Fund will generally invest in a limited number of Investments in the real estate industry and, as a result, its returns may be affected by the performance of a single Investment. Furthermore, because we have broad discretion to invest a considerable portion of a Fund's assets in a limited number of Investments and regions, adverse movements in the value of a single Investment or the health of a particular region could have a considerably greater negative impact on such Real Estate Fund than would be the case if we were not permitted to concentrate Investments to such an extent.



*Risks of Real Estate Ownership.* There is no assurance that Investments will be profitable or that cash flow will be available for distribution to limited partners. Because real estate, like many other types of long-term investments, historically has experienced significant fluctuation and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of the Investments or the collateral therefor. The cash flow and value of the Investments will depend on many factors beyond the control of CWAM, including, without limitation: (i) changes in general economic or local conditions; (ii) changes in supply of or demand for competing properties in an area (e.g., as a result of over-building); (iii) changes in interest rates; (iv) the promulgation and enforcement of governmental regulations relating to land use and zoning restrictions, environmental protection and occupational safety; (v) unavailability of mortgage funds which may render the construction, leasing, sale or refinancing of a property difficult; (vi) the financial condition of borrowers and tenants, buyers and sellers of property; (vii) changes in real estate tax rates and other operating expenses; (viii) the imposition of rent controls; (ix) energy and supply shortages; (x) various uninsured or uninsurable risks and (xi) acts of God, natural disasters and uninsurable losses. Since investments in real estate generally are not liquid, there is no assurance that there will be a ready market for real property interests held by the Fund. In addition, general economic conditions in the United States and abroad, as well as conditions of domestic and international financial markets, may adversely affect operations of the Fund.

*Risks of Developing Property.* Property development activities include the risks that the Real Estate Fund may abandon development projects after expending resources, construction costs of a project may exceed original estimates, occupancy rates and rents at a newly completed property may be less than anticipated and the construction and leasing of a property may not be completed on schedule. Development activities are also subject to risks relating to the inability to obtain, or delays in obtaining, all necessary zoning, land-use building, occupancy and other required government permits and authorizations.

*Loans by the Real Fund.* In connection with seeking investment opportunities for the Real Estate Fund, the Real Estate Fund will make one or more loans to Investments. Any such loan made by the Fund involves the risk of loss of the entire amount of such loan. Moreover, it is possible that any contemplated follow-on investment with respect to an Investment may not occur, limiting the Real Estate Fund's ability to share in future appreciation with respect to such Investment. In addition, by making such loans, the Real Estate Fund may be subject to various laws and regulations applicable to lenders and the holding of such loans could potentially subject the Fund to various "lender liability" risks.

*Potential Environmental Liability.* Property owners are subject to potential liabilities under various federal, state and local laws, ordinances and regulations as well as common law principles (collectively, "Environmental Laws"). Among other things, certain Environmental Laws provide that an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property and subject the owner or operator of real property or a facility to claims or liability for the costs of removal or remediation of hazardous substances that are released at, in, on, under, or from real property or a facility. The cost of any required remediation and the owner's liability therefore as to any property are generally not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner.

In addition to claims for cleanup costs, the presence of hazardous substances on or the release of hazardous substances from a property or a facility and persons who arranged for off-site disposal activities could result in a claim by a private party for personal injury or property damage or could result in a claim from a governmental agency for other damages. Liability under such Environmental Laws can be imposed on the owner or the operator of real property or a facility without regard to fault or even knowledge of the release of hazardous substances and other regulated materials on, at, in, under, or from the property or facility. The presence of hazardous substances in amounts requiring response action or the failure to undertake necessary remediation may adversely affect the Fund's ability to use or sell real estate or borrow money using such real estate as collateral, which could have an adverse effect on the Real Estate Fund's return from such Investment.

## **ITEM 9: Disciplinary Information**

There are no legal or disciplinary events which CWAM believes are material to the Client's or prospective Client's evaluation of CWAM's advisory business or the integrity of its management.

## **ITEM 10: Other Financial Industry Activities and Affiliations**

- (A) CWAM, nor any of its directors, officers or principals is registered as a broker-dealer or a representative of a broker-dealer or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.
- (B) CWAM is registered as a commodity pool operator with the Commodities Futures Trading Commission ("CFRC") and the National Futures Association ("NFA").
- (C) As of June 25, 2019, BHUS Holdings LLC, a Delaware limited liability company ("BHUSH"), acquired a minority ownership interest in Commonwealth Asset Management Holdings LLC, a Delaware limited liability company ("CWAM Holdings"), which is the general partner of CWAM. As part of this transaction, the parties have caused the formation of Commonwealth Asset Management Cayman LP, a Cayman Islands exempted limited partnership ("CWAM Cayman"), for which Commonwealth Asset Management GP LLC, a Delaware limited liability company affiliated with CWAM, serves as general partner and in which Brevan Howard CWOC Holdings Limited, a Cayman Islands exempted company (together with BHUSH, "Brevan"), is a limited partner. The acquisition by Brevan of an interest in CWAM Holdings and CWAM Cayman is referred to as the "Transaction."

As a result of the Transaction, Brevan acquired customary minority right protections with respect to its ownership interest in CWAM Holdings and CWAM Cayman, including consent rights over certain major actions. However, Brevan has no control over the day-to-day operations of CWAM or CWAM Cayman. Furthermore, Brevan does not have transparency into the Fund's investment positions or any authority to influence the investment decisions of CWAM.

- (D) CWAM does not recommend or select other investment advisers for its Clients.

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

### Code of Ethics.

CWAM has adopted a Code of Ethics (“Code”) pursuant to Rule 204A-1 of the Investment Advisers Act of 1940. CWAM’s Code is intended to ensure that its employees conduct certain personal securities transactions in a manner consistent with CWAM’s fiduciary duty to its Clients and to promote compliance with applicable legal and regulatory requirements. The key policies under CWAM’s Code are as follows: (1) the Firm and its employees must identify and comply with all applicable federal securities laws; (2) its employees must comply with certain restrictions on personal trading, including preclearance of certain transactions, and must report personal securities transactions; (3) the Firm and its employees must not trade for personal accounts ahead of its Clients; (4) all employees must act with competence, dignity, integrity and in an ethical manner; (5) the Firm must provide its Code and any amendments thereto to all of its employees; and (6) CWAM will retain written acknowledgements from all of its employees that they received, understand and abide by its Code and any amendments.

The personal trading restrictions, preclearance requirements and reporting requirements contained in the Code are intended to reduce certain conflicts of interest that may arise between Client accounts and the personal trading activities of CWAM’s employees. Among other restrictions, no employee may engage in a personal transaction in a security or other financial instrument if the transaction would disadvantage a Client; personal trades may not be timed to precede any order of the same or similar securities that CWAM places for a Client; and buying or selling securities or any other personal trading transaction on the basis of material non-public information is prohibited.

Personal securities transactions (with certain exceptions, such as shares of U.S. open-end mutual funds) are subject to preclearance by CWAM. Generally, CWAM employees are discouraged from personal trading in securities held or traded by Clients, and in many circumstances such personal transactions will not be authorized. If a request to trade in a security held or traded by a Client is granted, the transaction may be subject to additional conditions and restrictions as deemed appropriate by CWAM in order to prevent any disadvantage to Clients. Reports of personal trading activity are monitored by the CCO.

CWAM strongly discourages having Clients purchase securities from each other (commonly called a “cross trade”). However, in rare circumstances, it may determine that it is in the best interests of both Clients to effect a cross trade. In these circumstances, and only following compliance review, CWAM engages unaffiliated brokers or custodians to effect its Clients’ cross trades. CWAM instructs brokers or custodians to execute its Clients’ cross trades at the current market price. Both participating Clients share equally in any transaction costs resulting from cross trades.

Copies of CWAM’s Code of Ethics are available to any Client or prospective Client upon request.

## **ITEM 12: Brokerage Practices**

In selecting a broker or dealer for any transaction or series of transactions, CWAM's policy is to seek the best execution of orders at the most favorable price in light of the overall quality of brokerage and research services provided. The determination of what is expected to result in best execution at the most favorable price involves a number of largely judgmental factors, including, for example, net price, reputation, financial strength and stability, efficiency of execution, block trading and block positioning capabilities, error correction capabilities, availability and costs of securities to borrow (with respect to short sales), willingness to execute related or unrelated difficult transactions in the future, research services provided to CWAM, and other matters ordinarily involved in the receipt of brokerage services generally. In selecting a broker or dealer for any transaction or series of transactions, CWAM does not necessarily solicit competitive bids and is under no duty to obtain the lowest commission or best net price for the Fund on any particular transaction.

CWAM may effect securities transactions which cause the Fund to pay an amount of commission (as that term may be interpreted from time to time by relevant regulatory authorities) in excess of the amount of commission another broker would have charged; provided, however, that CWAM determines in good faith that such amount of commission is reasonable in relation to the value of brokerage and research services provided by such broker, viewed in terms of either the specific transaction or CWAM's overall responsibilities to the accounts for which CWAM exercises investment discretion. The receipt and use of such services will not reduce CWAM's customary and normal research activities.

Due to the nature of real estate investing, investments are typically made through privately negotiated arrangements and mortgage or real estate brokers rather than through traditional securities broker-dealers. CWAM may engage the services of banks, lenders, legal, financial, environmental, insurance, and tax professionals. CWAM has complete discretion to select service providers and real estate brokers for the Funds and negotiate the rates of compensation or commissions for the Funds. CWAM takes a range of factors into consideration when implementing

Fund transaction decisions, in order to determine what is in the best interest of the Funds when selecting service providers and professionals who will be paid by the Funds. CWAM believes factors other than price must be taken into consideration when determining the value of a service provided, including, but not limited to: professional networks and contacts, buyer/seller database, past performance, market and product expertise, experience with a specific product, property type, or security, track record of prior successful dealings, current listings, timing and availability of inventory, workload, and cost.

### **Soft Dollar Benefits**

Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") provides a safe harbor that allows an investment adviser to pay more than the lowest available commission in order to obtain brokerage and research services (commonly referred to as a "soft dollar" arrangement). CWAM does not utilize third-party soft dollar arrangements such as commission

sharing accounts or similar brokerage commission conduits whereby CWAM generates “commission credits” through trading that are used to pay for third party research or related products and services. CWAM also does not expressly agree to provide a certain level of execution to a broker or dealer in exchange for research products or services.

However, CWAM utilizes proprietary research provided by brokers or dealers (which may include information on the economy, industries, political developments, credit analysis, performance analysis, individual companies and statistical information), as well as access to corporate officers of public companies and other access opportunities that provide value to CWAM’s investment management activities which CWAM would have otherwise had to produce or pay for itself. In such circumstances, CWAM seeks to operate within the safe harbor provided by Section 28(e) of the Exchange Act and to be subjected to prevailing guidance provided by the SEC regarding Section 28(e). As a result, CWAM may effect securities transactions which cause a client to pay an amount of commission (as that term may be interpreted from time to time by relevant regulatory authorities) in excess of the amount of commission another broker would have charged. However, CWAM believes it is important to its investment decision-making processes to have access to such research and that this research ultimately benefits the client accounts. Subject to best execution, CWAM may effect securities transactions with a specific broker or a dealer in recognition of such services.

Further, consistent with Section 28(e), research products or services obtained with “soft dollars” generated by the clients may be used by CWAM to service one or more client accounts, including client accounts that may not have paid for the soft dollar benefits. CWAM does not seek to allocate soft dollar benefits to client accounts in proportion to the soft dollar credits the clients generate.

### **Best Execution Reviews**

On a quarterly basis, the CCO, in conjunction with CWAM’s investment and operational professionals, will hold a Best Execution Committee meeting to review the list of approved broker-dealers and determine whether all of the broker-dealers listed continue to demonstrate the ability and commitment to provide best execution in light of, among other things, the changing needs and trading history of the Clients.. The Committee will review commissions and other transaction costs as well as other information to evaluate reasonableness of commissions in light of services received and consistency with these guidelines. A survey is used by CWAM’s investment professionals to assist in this review.

In addition to the above, the Best Execution Committee meeting may include a discussion regarding investments made during the prior fiscal quarter as to ensure consistency with investment guidelines, allocation of investment opportunities, a review of risk limits utilized by CWAM and a review of any trade errors that may have occurred during the prior quarter.

Documentation related to Best Execution Committee meetings will be maintained by the CCO.

## **Aggregated Trades**

CWAM may execute transactions on an aggregated basis among certain of CWAM's Clients. In the event that such aggregation takes place, all Clients will be treated on a fair and equitable basis and consistent with the procedures outlined below.

The following procedures will apply to all aggregated transactions:

- **Disclosure.** CWAM's procedures for the aggregation of orders shall be disclosed in the governing documents for the Clients and/or in Form ADV.
- **Obtain Best Execution.** CWAM will not aggregate orders unless aggregation is consistent with its duty to obtain best execution and the terms of the investment guidelines and restrictions of each Client for which trades are being aggregated.
- **Fair Treatment.** No Client will be favored over any other Client of CWAM. Generally each Client that participates in an aggregated order will participate at the average price for all of the transactions in that security on a given business day, with transaction costs shared pro rata based on each applicable Client's participation in the transaction.
- **Determination of Allocation.** Before entering an aggregated order, the CIO or his designee will determine how the order will be allocated among those Clients ("Allocation Policy"). If the aggregated order is filled in its entirety, it will be allocated among the applicable Clients in accordance with the Allocation Policy (pro rata reflecting any applicable leverage targets to the extent there are no Client-imposed restrictions or different investment guidelines and/or risk parameters).
- **Partial Fills.** On occasion, CWAM will not be able to purchase, or sell, all of the securities ordered as part of an aggregated order in a single day. If the order is partially filled, it will generally be allocated pro rata in proportion to the size of the orders placed for each applicable Client (which reflects any applicable leverage targets) to the extent practicable based on the Allocation Policy.
- **Deviations from Allocation Policy.** Notwithstanding the foregoing, an aggregated order may be allocated on a basis different from that specified in the Allocation Policy if all relevant Clients receive fair and equitable treatment. Reasons for allocating on a basis different from that specified in the Allocation Policy include but are not limited to: a Client's investment guidelines and restrictions, available cash, liquidity requirements, tax or legal reasons and to avoid odd-lots or in cases when a pro rata allocation would result in a de minimis allocation to one or more Clients.
- **Safeguarding Client Assets.** Each Client's Assets will be deposited with one or more custodians and the Client's assets will not be held collectively any longer than is necessary to settle the purchase or sale in question.
- **No Additional Compensation.** CWAM will receive no additional compensation of any kind as a result of an aggregated order.

## **Trading Errors**

Trading inevitably entails the risk of errors in order placement and execution. The portfolios may engage in trading that is, at times, rapidly executed, and it may rely on computer code, software, hardware, and modes of transmission. These activities may increase the risk of trading errors. The portfolios will bear the burdens, and enjoy the profits, from any trading errors, unless those errors constituted “disabling conduct” by the Firm. Disabling conduct is defined as any act performed or omitted by an employee or agent on behalf of the Firm in relation to its business that constitutes gross negligence, fraud, willful misconduct, or a material breach of the partnership agreement or the Fund’s investment management agreement by the Firm’s personnel.

## **Capital Introduction**

Some of the Firm’s executing and prime brokers, from time to time, refer potential clients to the Firm or arrange for meetings with potential clients who are also often clients of the broker. Although this may create a potential conflict of interest, capital introduction is not a consideration when selecting or retaining prime brokers or executing trades. While the meetings may be arranged by the brokers, there is no guarantee that the clients will invest with the Firm. Other than the standard commission rates paid by the Firm’s funds and accounts, and customary prime brokerage fees, the brokers do not receive any compensation, directly or indirectly, for the meeting or the subsequent investments, if any.

## **ITEM 13: Review of Accounts**

The Firm has detailed knowledge of the investments in each Client. The Client portfolios are under continuous review by the investment professionals responsible for such account and seek to ensure that transactions are within the parameters of the various investment mandates. The compliance and operations departments periodically review the portfolios for most Clients.

All Clients receive or have the option to receive monthly or quarterly reports. The nature of monthly and quarterly reports to Clients depends on the terms of the governing documents of such Clients' accounts and/or the requirements of any exchange or market on which their securities are admitted to trade or the relevant management agreement. Clients are typically provided with written annual audited financial statements.

Private fund investors will receive reports as disclosed in the offering memoranda of each private fund. Audited financial statements are sent to private fund investors within either 90 or 120 days of the financial year end, depending upon the private fund's requirements.

## **ITEM 14: Client Referrals and Other Compensation**

- (A) In connection with managing Clients’ accounts, CWAM receives management fees and performance fees from CWAM as described in Item 5: Fees and Compensation. CWAM may receive a credit facility for real estate portfolios in lieu for part or whole of the management fee. CWAM does not, nor do any of its officers or employees, receive any other economic benefit from non-Clients for providing services to its Clients.

- (B) CWAM has not and does not expect to enter into arrangements whereby it will compensate persons that are not its supervised persons for Client referrals.

## **ITEM 15: Custody**

All portfolio assets are held in custody by unaffiliated broker-dealers or banks, but CWAM is deemed to have custody of Fund assets under Rule 206(4)-2 of the Advisers Act. To comply with Rule 206(4)-2, and to provide meaningful protection to investors, the Funds are subject to an annual financial statement audit by independent public accountants registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The audited financial statements are prepared in accordance with generally accepted accounting principles in the U.S. ("GAAP") and are distributed to investors within the timeframe required by Rule 206(4)-2, as detailed in the Fund offering memoranda. CWAM urges investors to carefully review these statements.

## **ITEM 16: Investment Discretion**

CWAM accepts discretionary authority over all Clients' portfolios. Essentially, this means that CWAM has the authority to determine without obtaining specific Client consent which securities to buy or sell and the amount of securities to buy or sell. Clients grant CWAM discretion through the execution of an investment management agreement or Client governing documents which gives CWAM complete authority to manage its Clients' assets in accordance with their investment objectives and program.

## **ITEM 17: Voting Client Securities**

### **A) Proxy Voting Authority**

The U.S Securities and Exchange Commission adopted Rule 206(4)-6 under the Advisers Act, which requires registered investment advisers that exercise voting authority over Client securities to implement proxy voting policies. In accordance with such rules, CWAM has:

- Adopted and implemented written policies and procedures reasonably designed to ensure that the Firm votes Client securities in the Clients' best interests. Such policies and procedures must address the manner in which the Firm will resolve material conflicts of interest that can arise during the proxy voting process;
- Disclose to Clients how they may obtain information from the Firm about how the Firm voted with respect to their securities; and
- Describe to Clients the Firm's proxy voting policies and procedures and, upon request, furnish a copy of the policies and procedures.

CWAM's general policy is to vote proxy proposals, amendments, consents or resolutions relating to Client securities (collectively, "proxies") only when the benefit of the vote outweighs the costs involved. CWAM when it votes will vote in a manner that serves the best interests of the Clients, as determined by CWAM in its discretion.



At times, conflicts may arise between the interests of the Clients, on the one hand, and the interests of CWAM, on the other hand. If CWAM determines that it has, or may be perceived to have, a conflict of interest when voting a proxy, it will address matters involving such conflicts of interest as follows:

1. Vote the proxy in accordance with CWAM's proxy policies;
2. Disclose the conflict to the Client(s), providing sufficient information regarding the matter and the nature of the Firm's conflict, and obtaining consent before voting;
3. Employ an outside service provider to advise in the voting of the proxy; or
4. Decline to vote the proxy because the cost of addressing the potential conflict of interest is greater than the benefit to the Clients of voting the proxy.

CWAM will document all instances where a proxy involved a conflict of interest, including the nature and the circumstances of the conflict, the steps taken by the Firm to resolve the conflict of interest, and the vote(s) as a result. Votes on all matters are determined on a case-by-case basis and consideration is given to both the short and long term implication of the proposal to be voted on.

#### B) Client Proxy Voting Authority

CWAM operates a policy of exercising proxies for Clients as permitted within governing documents. Voting policy is undertaken at all times in the best interests of the Clients and for their benefit.

Investors that wish to obtain a copy of CWAM's proxy voting policy or proxy voting history should contact CWAM.

## **ITEM 18:- Financial Information**

- A) CWAM does not require or solicit prepayment of fees in advance of services rendered.
- B) CWAM is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to the Client.
- C) CWAM has never been the subject of a bankruptcy petition.