



ANNANDALE CAPITAL, LLC FORM ADV PART 2A THE BROCHURE

2626 Cole Avenue, Suite 700
Dallas, TX 75204
214.523.5000
info@annandalecap.com
www.annandalecapital.com

Updated: May 3, 2019

This brochure provides information about the qualifications and business practices of Annandale Capital, LLC (“Annandale”). If you have any questions about the contents of this brochure, please contact us at (214) 523-5000 or info@annandalecap.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Annandale is also available on the SEC’s website at www.adviserinfo.sec.gov.

Annandale Capital, LLC is registered with the SEC as a registered investment adviser (“RIA”). This term does not imply a certain level of skill or training.

Material Changes

Annandale Capital, LLC's most recent update to Part 2 of Form ADV was made on March 28, 2018. One material change since then was winding down Annandale Global Select Strategies Fund, LP. Annandale has deemphasized its focus on hedge funds as the broad opportunity set has become less compelling over time. High-quality, select hedge fund opportunities may still merit consideration for future investment, but these can be targeted directly as opposed to via a pooled asset vehicle. Annandale believed there were numerous benefits of this change, ranging from lower fees to increased transparency/less complexity.

Annandale also signed a lease in the fall of 2018 to move office locations to 2626 Cole Avenue, Suite 700, Dallas, TX 75204. Annandale began occupying the new office officially on May 1, 2019.

Table of Contents

Advisory Business	2
Fees and Compensation	3
Performance-Based Fees and Side-by-Side Management	5
Types of Clients	5
Methods of Analysis, Investment Strategies and Risk of Loss	5
Disciplinary Information	8
Other Financial Industry Activities and Affiliations	9
Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading ..	10
Brokerage Practices	10
Review of Accounts	13
Client Referrals and Other Compensation	14
Custody	14
Investment Discretion	15
Voting Client Securities	15
Financial Information	15

Advisory Business

Annandale provides investment counsel to clients and selects investments and investment managers for clients to meet each client's investment objectives and financial needs. Annandale focuses on advancing each client's distinct investment objectives through asset allocation, manager selection, research, portfolio customization, and reporting.

Owner. Annandale's primary owner, George E. Seay, III, founded Annandale Capital, LLC in 2005 and is the only person that owns more than 25% of the firm. He serves as Chairman of Annandale. Mr. Seay focuses on the strategic asset allocation process, manager selection process, and new business development.

Types of Advisory Services. Annandale helps clients achieve their investment goals through recommending ways to distribute client investments across different asset classes, selecting fund managers in each class to manage those investments, analyzing risk to try and protect the portfolio against heavy losses, and offering overall advice regarding which investment solutions work best for the client given their need to convert their assets to cash (“liquidity”). In some cases, individual stocks and bonds are used instead of or along with managers. As part of providing investment management services, Annandale also provides performance reporting to clients. Ancillary services are outsourced to firms that specialize in each particular service so Annandale can focus on providing investment advice.

Annandale does not limit its investment advice to particular investment types; instead, it broadly advises clients on equities, fixed income, hedge funds, private equity, commodities, real estate, and other asset classes.

Tailored Services. Because Annandale focuses its services on one area, investment management, it does not provide a large variety of services to each client. At the same time, Annandale does tailor its services to individual client needs by asking a series of questions that focus, among other things, on client goals, investment objectives, risk tolerances, time horizons, cash needs, and tax situations. Through this dialogue with clients, Annandale can then tailor its investment approach to meet clients’ individual needs. Additionally, some clients occasionally express desires for or against particular types of assets, while other clients hire Annandale to invest in only certain asset classes. In these cases, Annandale adjusts the recommended asset allocation to include client-specific preferences within their investment mandate.

Participation in Wrap Fee Program. Annandale does not participate in wrap fee programs.

Amount of Client Assets. As of 04/30/2019, Annandale managed \$516,537,500 on a discretionary basis, \$112,755,000 on a non-discretionary basis, for a total of \$629,292,500.

Fees and Compensation

Compensation and Fee Schedule. Annandale receives compensation according to the following Fee Schedule:

- 1) **Total Investment Management Solutions** – Clients who choose to invest in a holistic investment allocation of equity, cash, fixed income, hedge funds and/or private equity should expect to pay a 1.00% annual management fee based on the value of the assets at the beginning of each quarter.
- 2) **Short-Duration Fixed Income** – Clients who elect to have their portfolio invested solely in short-duration fixed income should expect to pay a 0.40% annual management fee based on the value of the assets at the beginning of each quarter.

Since clients pay fees quarterly in advance, Annandale divides the management fee into quarters and bills the client off of each client’s total assets under management at the

beginning of each quarter. In the event that Annandale begins managing a client's assets mid-quarter, it will calculate the management fee according to the fraction of the quarter for which the assets are under management. Client fees are negotiable and therefore management fees for each client may vary from the schedule above.

Annandale maintains a relationship with a family office that initially set up a consulting arrangement, paying a flat fee for consulting services. In line with Annandale's policy for negotiable fees, there have been follow-on fee arrangements as the family office began utilizing some managers on Annandale's investment platform. These arrangements have varied from a backend carried interest fee, to an ongoing fee based on called capital, to a one-time fee paid by the investment manager. All fee arrangements were selected by the client after the investment was selected. While Annandale does not manage the family office's entire portfolio, Annandale does provide continuous and regular investment management services on \$60,000,000 of committed capital for the client which is factored into Annandale's overall, non-discretionary AUM.

Deduction of Fees. Clients have the option of electing to have their fees deducted from their account assets automatically or to receive a bill for fees incurred that is subsequently paid via check or wire transfer. Because Annandale bills in advance, the withdrawal or billing occurs at the beginning of each quarter, four times a year.

Additional Fees. Fees charged by Annandale cover only the portfolio management and advisory services provided by Annandale. The client can expect to pay custodial fees that may include brokerage commissions, mark-ups and mark-downs, dealer spreads, and other costs associated with the purchase and sale of securities; interest on any loans; taxes; or other account expenses. The client is solely responsible, directly or indirectly, for these additional expenses should they be incurred. Further, the mutual fund managers, separate account managers, hedge fund managers, private equity managers, and all other investment managers who manage clients' assets charge a management fee for their services. While no additional payments are required for manager fees, these manager fees are netted out of the investment returns that the manager generates for the client. Please see the Brokerage Practices section of this brochure for additional information regarding brokerage and other transaction costs.

Billing and Refunding Fees upon Termination. Because all clients pay fees quarterly in advance, clients can expect to receive back unearned management fees upon termination. Either the client or Annandale may terminate services with 30 days prior written notice. If the termination of services occurs prior to the end of a quarter, the client will receive a prorated refund of management fees paid for services unearned rounded to the nearest month. Annandale determines the refunded amount by the number of months of unearned management fees and bases it on the date after which the investments are ultimately moved to an alternate advisor or are liquidated and distributed to the client.

Performance-Based Fees and Side-by-Side Management

As previously mentioned, Annandale has an investment consulting agreement with a family office client to provide consulting services for investment counsel regarding the family office's investments for a flat, monthly fee. Annandale researched various fee schedules to ascertain which options would result in the fewest possible conflicts of interest and presented its ideas to the family office. The family chose a backend profit sharing agreement, based on performance, for two investments as well as a flat, monthly fee going forward. For another investment, they selected a management fee based on called capital, and after committing to a fourth investment, the client authorized a payment from the underlying fund as part of their fee agreement. While there are potential conflicts of interest that could arise from a performance fee, the family office settled on this agreement (after the investments were made) for the alignment of interest which we do believe helps to mitigate potential conflicts.

Types of Clients

Annandale provides investment advice to individuals, family offices, profit sharing plans, trusts, estates, charitable organizations, and other corporations and business entities outside of these categories. Annandale's stated minimum account size is \$5,000,000; however, it may waive this minimum at its discretion.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies. Annandale's primary service is to provide investment advice to its clients. As part of this service, Annandale performs due diligence on and invests in external funds on its clients' behalves. External funds typically consist of mutual funds and limited partnerships. For a smaller subset of clients, Annandale also invests in individual stocks and bonds. For external funds, Annandale conducts bottom-up, fundamental research. Annandale divides its fundamental research into three areas: quantitative, qualitative, and operational.

Quantitative analysis consists of analyzing a fund or firm's track record and statistics about the current portfolio. Generally speaking, Annandale seeks to invest with funds/firms that have an established record of success. Furthermore, quantitative analysis helps us better understand the types of exposure a fund investment might introduce to our portfolio.

Qualitative analysis typically consists of analyzing factors that are not directly measurable or quantifiable. Annandale's qualitative analysis of a fund makes judgments regarding the strength of a fund's research process and philosophy, incentive structure, risk management process and experience. We may also make qualitative judgements about the opportunity set for a certain fund. Judgements pertaining to a fund's opportunity set are often influenced by factors such as valuations and various macro-economic variables.

Operational analysis varies depending upon the type of investment entity in which Annandale is considering investing client capital. For most entity types, Annandale analyzes the terms (liquidity, fees, etc.) of the managers. For private investment vehicles, like most hedge funds, Annandale sometimes performs additional operational analysis, which focuses on past legal and regulatory actions, the strength of the underlying business, and the use of outside service providers.

Clients should note that investing in securities involves the risk of loss, which clients should be prepared to bear. Investing with external funds that Annandale utilizes includes the following specific, inherent risks:

Underlying Investment Risk. When Annandale invests in external funds, clients assume all of the risks related to their underlying investment holdings, strategies and methods of analysis. Clients are also exposed to risks regarding the financial and operational strength of an investment manager's business as well as the risk of the manager engaging in insider trading.

Risk with Analysis Performed. Annandale's method of analysis poses three general risks: making an investment decision based on inaccurate or fraudulent information, making an investment decision based on incomplete or inaccurate due diligence, or making an investment decision based on complete and accurate due diligence that still results in poor investment performance. By investing with Annandale, clients expose themselves to these risks.

Risk with Concentration. Client accounts may hold a relatively small number of securities. Losses in such securities could have a significant effect on the account's overall value.

Risk with Equity Securities. By investing in equities, Annandale may expose a client account to a sudden decline in value. Equity investments can be volatile and the account value will fluctuate daily based on the future earnings of the underlying companies and the real or perceived health of the overall market and economy. Additionally, small-cap companies are often considered more volatile and less-liquid investments due to limited product lines, distribution channels, financing, or managerial resources. Also, international and emerging market equities tend to be riskier investments due to political instability, the lack of established currency, the lack of a uniform accounting standard, or a legal tradition that often minimizes the rights in private property.

Risk with Fixed Income Securities. By investing in fixed income instruments (bonds), Annandale may expose a client to the risk of the investment losing value when interest rates rise. Also with fixed income investments, the value of the security may fall if the overall creditworthiness of the issuer is called into question, sometimes resulting from overall market or credit deterioration. High-yield bonds tend to exhibit the greatest volatility and risk of loss due to the creditworthiness and perceived susceptibility of the issuer not being able to make principal and/or interest payments. Additionally, fixed

income instruments have duration risk, with longer-term securities generally being more susceptible to price movements than shorter-term securities.

Risk with Commodities. By investing in commodities, Annandale may expose a client to the risk of significant price declines. Commodities tend to have significant volatility resulting from changes in the commodity indices, natural disasters (tornadoes, droughts, floods, hurricanes, disease, etc), embargos, tariffs, and political/regulatory changes.

Additional Risks of Private Investments. Annandale often utilizes private investments in its allocation to private equity and hedge funds, which presents certain risks. One of the largest risks is stale or delayed pricing of the securities contained in a private investment. Some hedge funds and private equity investments hold assets that are not publicly traded and are more difficult to value. Therefore the securities take longer to price resulting in some delay on the price or NAV (Net Asset Value) of the private investment. The price could be higher or lower than fair market value, though the risk of this occurrence is somewhat mitigated by the private investment's issuing annual audited financial statements.

Additional Risks of Hedge Fund Investments. Because Annandale recommends to some of its clients an allocation to hedge fund investments, a client should understand the risks involved with such investments. One significant risk for hedge fund investments is the risk of not being able to get adequate liquidity at the time of redemption. In difficult periods of time, such as 2008, some hedge funds could not meet all of the redemption requests that came in and thus had a "run on the bank." In these situations, hedge funds establish gates or side-pockets that allow for capital to be returned in an orderly manner. These gates and side-pockets often extend redemption schedules so the capital takes longer to get returned than planned. Additionally, when side-pockets are created, securities are often more difficult to price, causing the previously-provided NAV to become outdated or stale.

An additional risk of significant losses within hedge funds relates to the securities a hedge fund manager can trade and how the fund can manage the money under its authority. Many of the hedge funds recommended by Annandale can engage in short-selling, which theoretically creates the potential for unlimited loss. Some of the investment managers Annandale recommends can utilize leverage or invest in esoteric securities that carry inherent leverage like credit default swaps, futures, options, and swaps. Also, some hedge funds have concentrated positions in underlying investments which increases the risk of significant losses.

Due to the lack of regulation and opaque nature of the hedge fund structure, an additional risk for clients to be aware of is the possibility of misrepresentation, the mispricing of securities, or outright securities fraud. Annandale has developed due diligence processes on hedge funds with which it invests as well as their service providers (accountants, law firms, prime brokers, and administrators) to minimize this risk inherent with hedge funds, but it cannot totally eliminate all forms of risk of fraud.

Additional Risks of Private Equity Investments. Because the firm recommends to some of its clients an investment allocation to private equity investments, clients should understand the risks involved with such investments. Private equity investments are very illiquid, long-term investments that often require a minimum of a five- to ten-year investment horizon where capital is called gradually over time until the cumulative capital commitment is completed. In cases where clients have unexpected liquidity needs, clients may have difficulty getting capital out of these investments or selling them on a secondary market. Thus, these long-term private investments create liquidity risks.

Additionally, private equity investments often have investment returns that don't perform well in the early years of the fund when capital begins to be called and put to work. This is sometimes referred to as the "J-Curve," where private equity funds deliver negative returns in early years and have stronger investment gains in the outlying years as the portfolios of the underlying companies mature. This risk combined with the liquidity risk reinforces the need for a long-term investment window for client investments in private equity.

Disciplinary Information

Neither Annandale nor any of its management persons has been involved in any of the legal or disciplinary events below.

In a criminal or civil action in a domestic, foreign or military court of competent jurisdiction, neither Annandale nor any of its management persons

- has been convicted of, or pled guilty or nolo contendere ("no contest") to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting or extortion; or (c) a conspiracy to commit any of these offenses;
- is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion or a conspiracy to commit any of these offenses;
- was found to have been involved in a violation of an investment-related statute or regulation; or
- was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, Annandale or a management person from engaging in any investment-related activity or from violating any investment-related statute, rule or order.

Further, in an administrative proceeding before the SEC or any other federal, state, or foreign financial regulatory authority, neither Annandale nor any of its management persons

- was found to have caused an investment-related business to lose its authorization to do business; or

- was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority
 - denying, suspending or revoking the authorization of Annandale or a management person to act in an investment-related business;
 - barring or suspending Annandale's or a management person's association with an investment-related business;
 - otherwise significantly limiting Annandale's or a management person's investment-related activities; or
 - imposing a civil money penalty of more than \$2,500 on Annandale or a management person.

Lastly, in a self-regulatory organization ("SRO") proceeding, neither Annandale nor any of its management persons

- was found to have caused an investment-related business to lose its authorization to do business; or
- was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500.

Other Financial Industry Activities and Affiliations

No Registered Broker-Dealers. Neither Annandale nor any of its management persons is a registered broker-dealer. Further, the company and its management persons have no applications pending to register as broker-dealers or as representatives of one.

Further Lack of Registrations. Neither Annandale nor any of its management persons is registered, nor has an application pending to register, as any of the following: a futures commission merchant, a commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

No Material Arrangements or Relationships. Annandale has no material relationships or arrangements with any of the following:

- broker-dealer, municipal securities dealer, or government securities dealer or broker,
- investment company or other pooled investment vehicle,
- other investment adviser or financial planner,
- futures commission merchant, commodity pool operator, or commodity trading advisor,
- banking or thrift institution,
- accountant or accounting firm,
- lawyer or law firm,
- insurance company or agency,
- pension consultant, OR
- real estate broker or dealer

Lack of Compensation from Investment Advisers. Annandale receives no compensation from other investment advisers, which keeps the firm from conflicts of interest in this area. Clients can expect that the advice they receive is given from a fiduciary standpoint with their best interest in mind.

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

Description of Code of Ethics. Annandale maintains a written Code of Ethics and compliance program to which all employees and principals of the firm must adhere. The goal of the Code of Ethics is to create proper procedures and processes that attempt to eliminate any unlawful activities, unethical practices, or decision-making detrimental to a client. The Code of Ethics focuses, among other things, on the following areas:

- standards of business conduct
- insider trading
- confidentiality and privacy of client information
- outside interests and activities
- gifts and entertainment
- reporting violations (whistle-blowing)

Annandale has designated Ryan Hembree, as Chief Compliance Officer. A copy of the Annandale's Code of Ethics will be provided to any client or prospect upon request.

Potential Conflicts of Interest. Clients may perceive a conflict of interest in the nature and timing of security purchases by Annandale's employees and clients. In order to align employee interests with those of clients, Annandale encourages its employees to hold similar securities to its clients. Consequently, there may be times in which an employee purchases a security at or around the same time a client buys or sells the same security, possibly affecting the price of the security. Yet because this event primarily involves the purchase or sale of mutual funds (which are priced at the end of the day based on the underlying securities independent of purchases or sales of the fund), an employee would not receive favorable pricing nor benefit from the purchase or sale. To further mitigate conflicts of interest, Annandale's Code of Ethics contains specific policies and procedures to guard against employees benefiting from purchasing the same securities as clients hold. In no case may an Annandale employee attempt to receive preferential pricing, terms, execution, or any other benefit for holding a security.

Annandale's policy is to not buy securities from or sell securities to its clients.

Brokerage Practices

Criteria in Selecting Broker-Dealers. In determining the recommended broker/custodian(s) to use, Annandale makes the decision based on factors such as the speed and cost of execution (i.e. commission, spread and market impact); the skill in

executing the trade in an efficient and error-free manner; the ease of transaction with regards to confirmation, reporting, and interface with back-office systems; the ability to access mutual funds and managers on the platform; familiarity of Annandale's staff with the operating procedures; the quality and effectiveness of the service team; and the financial strength and staying power of the institution as a whole. Commission rates and other fees paid for execution services from broker-dealers are based upon agreed-upon rate schedules negotiated with applicable custodians. In determining the reasonableness of commissions, Annandale utilizes industry standards.

Brokerage Firm Provides Research at No Cost. Research is used for providing counsel to all of Annandale's clients. Either Annandale performs original research or receives research from outside sources. In some instances of outside research, Annandale purchases it; in other cases, Annandale receives it at no cost. One source of outside research that provides it at no cost is the primary broker-custodian recommended by Annandale, which creates an inherent conflict of interest. The research may be proprietary research (created or developed by the broker-dealer) and may also be research done by a third party. This conflict of interest could cause Annandale to recommend a broker-dealer based on the research received rather than clients' interest in most favorable execution because Annandale receives the benefit of not having to purchase the research. However, because the research received is not contingent upon sending client custodial/brokerage services to a particular brokerage firm, Annandale feels comfortable that the conflict of interest is mitigated. Also, Annandale periodically reviews its recommended broker-dealer execution data to ensure that its clients are getting fair and reasonable execution on its securities transactions.

Brokerage Firm Provides Education at a Reduced Cost or No Cost. In addition to providing research at no cost, Annandale's brokerage firm also offers occasional educational seminars for its advisors. These resources are designed to help Annandale serve its clients more effectively by making its employees aware of changes in the industry. Some of these educational seminars are free and others are paid for by Annandale. Although these opportunities may create a potential conflict of interest since they may influence Annandale to choose this brokerage firm in part because of these resources, Annandale believes that the conflict of interest is largely mitigated because the knowledge acquired by Annandale at these seminars ultimately benefits its clients. Because these seminars' content can range from general to specific, some clients may benefit slightly more than others from the knowledge gained by Annandale from these seminars. Yet the possible minor advantage that some clients have over others based on the content is difficult to quantify, and Annandale does not see it as a determining factor in choosing its brokerage firm. Thus, despite the possibility of choosing the firm based on the availability of these resources, Annandale does not consider it a material conflict of interest.

Brokerage for Client Referrals. Annandale does not receive referrals from a broker-dealer or third party. Therefore the firm has no referral-based incentive to provide a recommendation that is a conflict of interest with the client's most favorable execution.

Adviser's Freedom to Recommend Broker-Dealers. Annandale is not limited in its recommendation of brokers and dealers, nor is it limited to a specified level of commissions. Annandale may at times utilize other discount brokers or some full-service brokers to execute trades at rates equal to or higher than those charged by its primary broker. Annandale will not recommend products where brokers are earning commissions higher than the industry standard unless, in the opinion of Annandale, the merits of the investment warrant such excess.

Adviser's Likely Use of Schwab as Broker-Dealer. Annandale typically recommends that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although Annandale may recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab or an alternate broker-dealer. Annandale is independently owned and operated and not affiliated with Schwab in any way.

Schwab provides Annandale with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab. These services are not contingent upon Annandale's committing to Schwab any specific amount of assets in custody or trading commissions. Schwab's services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For Annandale's client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions, wire transfer fees, or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to Annandale other products and services that benefit Annandale but may not benefit its clients' accounts directly. Some of these other products and services assist Annandale in managing and administering clients' accounts. They include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information, and other market data; facilitate payment of Annandale's fees from its clients' accounts; and assist with back-office functions, recordkeeping, and client reporting. Many of these services generally may be used to service or benefit all or a substantial number of Annandale's accounts, including accounts not maintained at Schwab.

As described above, Schwab also offers other services to Annandale that are intended to help Annandale manage and further develop its business enterprise. These services may include consulting, training, publications, and conferences on topics such as practice management, business succession, information technology, regulatory compliance, marketing, and human resource management. In addition, Schwab may make available,

arrange or pay for these types of services rendered to Annandale by independent third parties. Schwab may discount or waive fees that it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Annandale.

While as a fiduciary, Annandale strives to act in its clients' best interests, Annandale's recommendation that clients maintain their assets at Schwab may be based in part on the benefit to Annandale of the availability of some of the foregoing products and services and not solely on the nature, cost, or quality of the custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

Annandale's recommendation of a certain broker-dealer differs from some other advisers. The practice of suggesting a broker-custodian may prevent clients from achieving the most favorable execution of client transactions, which may cost clients more money. Despite this possibility, Annandale seeks to use brokerage firms that best serve its clients' overall needs.

Client's Option to Direct Brokerage. Annandale permits clients to direct brokerage though typically discourages them from doing so. The use of a broker-dealer different from other clients may prevent Annandale from being able to achieve the most favorable execution of client transactions, costing the client more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions or may receive less favorable prices.

Aggregating the Purchase or Sale of Securities. Annandale does not typically aggregate orders for the purchase or sale of securities for clients. Annandale often avoids the practice because the firm typically focuses not on picking individual stocks but instead on employing a manager-of-managers approach where it selects, among other things, mutual funds, hedge funds, or separate account managers to pick the underlying securities. Additionally, the tailored nature of clients' allocations and the timing of each client's inflows and outflows hamper Annandale's ability to aggregate orders. In the limited circumstances when Annandale could aggregate orders, extra attention must be given so that clients don't incur higher brokerage costs as a result of Annandale's not doing so. Aggregate orders have made sense in a handful of instances where Annandale traded a less liquid security and wanted to be fair to all clients while also obtaining a combination of the best prices/lowest commissions.

Review of Accounts

Periodic Review of Client Accounts. Annandale reviews all client accounts at least once a quarter. The Operations Team oversees each account and conducts a review each month of cash flows and investment returns as well as an asset class level review of the portfolio allocation. Additionally, the Research Team utilizes rebalancing software to compare each client's asset allocation to the target allocation to determine if any changes or rebalancing should occur. This process is overseen by the Chief Executive Officer and the Chief Compliance Officer.

Content and Frequency of Reports. In addition to the monthly reports from their custodian, Annandale clients receive written reports on at least a quarterly basis. Annandale's statements to clients contain three sub-reports that provide distinctive information to give clients a broad view of their investments. The first report provides an overview of performance with a beginning asset value, an ending asset value, the amount of investment gain and a percentage return during various time periods. The second report provides an overview of the asset allocation broken down by the percentage allocated to each asset class. The third report provides the investment performance of each security as well as a detailed break-down of activity in each security, including additions, purchases, withdrawals, sales, income, expenses, realized gains/losses and unrealized gains/losses. Annandale periodically looks for more optimal ways to present client information; therefore the content of the reports could change in the future.

Client Referrals and Other Compensation

Annandale is not involved in any relationships in which a non-client provides an economic benefit to Annandale for providing investment advice or other advisory services.

Annandale does not compensate any outside parties for client referrals. While there is no plan to add solicitors, Annandale may seek to enter additional such relationships with unaffiliated entities in the future.

Custody

Client assets are held in custody by unaffiliated qualified custodians, broker-dealers or banks, but Annandale can access client funds through its ability to auto-debit advisory fees. Additionally, some clients have signed standing letters of authorization ("SLOA") to send funds to various third parties on their behalf. For these reasons, Annandale is considered to have custody of client assets. Clients receive at least quarterly account statements from their custodian. Clients should carefully review those statements. Due to the fact that Annandale also sends reports to clients, Annandale strongly recommends that clients review the custodian's statements carefully and urges its clients to compare them to Annandale's reports.

Due to the custody triggered by SLOAs, Annandale has worked with its custodian, Charles Schwab, to further mitigate risk by instituting the following seven provisions:

1. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
2. The client authorizes Annandale, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.

3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
4. The client has the ability to terminate or change the instruction to the client's qualified custodian.
5. Annandale has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
6. Annandale maintains records showing that the third party is not a related party of Annandale or located at the same address as Annandale.
7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Investment Discretion

Adviser's Discretion to Determine Investments. In most instances, Annandale does have discretionary authority to manage securities accounts on behalf of clients. Annandale's Investment Advisory Agreement, which spells out the terms of the advisory relationship between Annandale and the client, gives Annandale broad discretion and authority to determine the type and amounts of the investments to be bought or sold on the client's behalf. Clients rarely place limitations on Annandale's discretionary authority.

Voting Client Securities

Annandale does not have authority to vote client securities due to the client not providing this authority in the Investment Advisory Agreement. In some cases clients receive their proxies directly from the custodian, and in other cases they are sent from Annandale.

Clients are able to contact Annandale during business hours about a particular proxy voting matter by calling their respective account manager. Alternatively, they may contact Annandale by calling (214) 523-5000 or by emailing info@annandalecap.com.

Financial Information

Annandale does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, financial statements are not included.

Annandale has no financial conditions that are reasonably likely to impair its ability to meet contractual commitments to clients.