

Part 2A of Form ADV: Firm Brochure



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This brochure provides information about the qualifications and business practices of Balter Capital Management LLC ("Balter Capital" or "BCM"). If you have any questions about the contents of this brochure, please contact us at (857) 383-3478. 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 Balter Capital also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). An investment adviser's registration with the SEC does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

Balter Capital no longer serves as an investment adviser to unregistered pooled investment vehicles.

In addition, Item 11 has been revised to include disclosure regarding the conflicts of interest that may arise to the extent that Balter Capital recommends the investment of client assets in affiliated registered investment companies.

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#### **Item 4 – Advisory Business**

Balter Capital is a Delaware limited liability company organized in April 2006. Balter Capital's principal owner is Bradley Ross Balter.

Balter Capital provides discretionary advisory services to managed accounts (the "Managed Accounts"). The assets of the Managed Accounts are invested pursuant to each individually negotiated investment advisory agreement.

Balter Capital also provides non-discretionary investment advisory services to client accounts (the "Client Accounts;" collectively, with the Managed Accounts, the "Clients"). Non-discretionary means that Balter Capital makes investment recommendations to a Client Account, but the Client Account maintains the authority and responsibility for acting on such recommendations. The assets of the Client Accounts are invested pursuant to each individually negotiated investment advisory agreement.

Balter Capital seeks to provide its Clients with diversification and risk-management through investments in underlying investment vehicles ("Underlying Funds").

Balter Capital does not participate in wrap fee programs.

As of March 31, 2019, Balter Capital's, and its majority owned subsidiary, regulatory assets under management are as follows:

Discretionary:	\$ 379,228,000
<u>Nondiscretionary:</u>	<u>\$ 315,625,000</u>
Total:	\$ 694,853,000

#### **Item 5 – Fees and Compensation**

The management fee schedule for Balter Capital's Clients is set forth below. Balter Capital's fees are exclusive of transaction fees, and other related costs and expenses which are incurred directly by the Client. Clients may incur certain additional charges imposed by custodians, brokers (see Item 12), and other third parties, such as fees charged by the Underlying Funds, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and/or other fees. Balter Capital does not receive any portion of these additional charges.

Neither Balter Capital nor its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

#### **Fee Schedule – Managed Accounts**

Balter Capital's compensation for its advisory services for Managed Accounts are established in each Client's written investment advisory agreement. Balter Capital charges Managed Accounts an asset based management fee. The fee schedule is included in the investment advisory agreement negotiated by and between Balter Capital and each Managed Account. The management fee is equal to an annual rate of the net asset values of each such Managed Account and is calculated quarterly or annually in arrears. Payment of the management fee is due within thirty (30) days of receipt by the client of the quarterly or annual report and invoice.

#### **Fee Schedule – Non-Discretionary Client Accounts**

Balter Capital also provides non-discretionary investment advisory services to its Client Accounts. The assets of the Client Accounts are invested pursuant to each individually negotiated Investment Advisory Agreement. While the specific fee schedules differ from one client to the next, Balter Capital charges non-discretionary clients an asset-based management fee. The fee schedule is included in the investment advisory agreement negotiated by and between Balter Capital and each Client Account. The management fee is equal to an annual rate of the net asset values of each such Client Account and is calculated quarterly in arrears. Payment of the management fee is due within thirty (30) days of receipt by the client of the quarterly report and invoice.

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

Not applicable.

#### **Item 7 – Types of Clients**

As discussed in Item 4 above, Balter Capital's Clients are the Managed Accounts and the Client Accounts. Investors may include, but are not limited to, high net worth individuals, family offices, charitable organizations and corporate or business entities. Balter Capital may also in the future provide investment advisory services to other types of Clients.

Balter Capital generally provides services to certain minimum investment amounts. Balter Capital generally requires a minimum investment of \$25,000,000 for Managed Accounts. Client Accounts are not subject to any minimum investment amounts. In each case, Balter Capital retains sole discretion to waive or reduce any minimum investment amount.

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

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

As discussed in Item 4 above, Balter Capital provides investment advice to Clients through investments among various Underlying Funds.

## Risk of Loss

Balter Capital's investment strategies may not be appropriate strategies for all prospective or current Clients. Prospective and current Clients are cautioned of the risks involved in Balter Capital's investment strategies. Among other things, such prospective and current Clients and investors must be prepared to lose all or substantially all of their investment due to any number of risks, including, but not limited to:

**Reliance on Management.** The success of Balter Capital's investments depends on the ability of Balter Capital and its affiliates to effectively manage its Clients' assets and develop and implement investment strategies that will achieve the Clients' objectives.

**Not a Complete Investment Program.** An investment may be deemed to be a speculative investment and is not intended as a complete investment program. The investment strategy implemented by Balter Capital is designed only for sophisticated and experienced investors who can bear the risk of a substantial loss in the value of their investment.

**Competition.** The securities industry and the various financial markets in which the Underlying Funds participate and the varied strategies and techniques engaged in by the Underlying Funds selected by Balter Capital are extremely competitive and each involves a high degree of risk. Clients and the Underlying Funds with which they invest compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.

**General Economic Conditions.** Changes in economic conditions, including, for example, interest rates, inflation rates, employment conditions, competition, technological developments, political and diplomatic events and trends, and tax laws can affect substantially and adversely the business and prospects of a Client. Unexpected volatility or illiquidity could impair the Client's profitability or result in losses. None of these conditions is within the control of Balter Capital and no assurances can be given that Balter Capital will anticipate these developments.

**Overall Investment Risk.** All securities investments risk the loss of capital. The nature of the securities to be purchased and traded by a Client through the Underlying Funds and the investment techniques and strategies to be employed by Balter Capital may increase this risk. There can be no assurance that the Client will be profitable or that the Client will not incur losses or that any future distribution will be made to the Client. Client expenses may also exceed income. Neither prior successful investment management performance, recommendations or analysis by Balter Capital or any of its principals, nor any future successful Client performance, may be relied upon as assuring further successful performance.

**Concentration of Investments.** A Client may invest in a concentrated collection of Underlying Funds. Accordingly, the Client's investment portfolio, on account of size, investment strategy and other considerations, may at times, through its investment in the Underlying Funds, be confined to the securities of relatively few sectors and/or issuers. Accordingly,

disproportionate losses in industries or particular issuers may indirectly materially reduce the Client's performance or capital if not offset by gains from other Underlying Funds or hedging techniques.

**Loss of Capital.** Risk of loss of capital accompanies any investment in securities. While Balter Capital believes that its investment program mitigates this risk to some degree through careful selection of the Underlying Funds, no guarantee or representation is made that a Client's program will be successful. The Client's investment program may include the selection of Underlying Funds who utilize a variety of investment techniques including short sales, leverage and limited diversification, which practices can, in certain circumstances, result in significant losses.

**Investment Selection.** Balter Capital selects investments for a Client on the basis of information and data filed by the issuers of securities with various government regulators or made directly available to Balter Capital by the issuers of securities or through sources other than the issuers. Although Balter Capital will evaluate all such information and data and may seek independent corroboration when Balter Capital considers it appropriate and when it is reasonably available, Balter Capital is not in a position to confirm the completeness, genuineness or accuracy of such information and data.

**Lack of Control/Activities of Underlying Funds.** Balter Capital may invest a Client's capital in Underlying Funds over which Balter Capital and the Client may have limited or no control. There can be no assurances that such investments will be successful or will not result in substantial losses.

A Client may invest in Underlying Funds that are managed by investment managers that may have little or no performance history, a small amount of assets under management and/or a lean infrastructure (each, an "emerging manager"). There are numerous risks associated with investing with emerging managers. While performance history is never a guarantee of any future returns, the use of emerging managers may increase the speculative nature of an investment in their respective underlying strategies. Some emerging managers may have little or no prior experience to assist them in running the day-to-day business, investment and compliance operations of their respective firms, and such inexperience may have an impact on the overall success of their operations. Furthermore, managers with smaller amounts of assets under management may have a more difficult time attracting quality investment and back-office professionals than more established firms. In addition, if one or more investors in portfolio funds managed by emerging managers leave, it could have a significant impact on the remaining investors in the funds.

An Underlying Fund may use proprietary investment strategies that are based on considerations and factors that are not fully disclosed to Balter Capital. These strategies may involve risks under some market conditions that are not anticipated by the Underlying Fund, Balter Capital. The Underlying Funds may use investment strategies that differ from those typically employed by traditional managers of portfolios of stocks and bonds, or may diverge

from the strategy disclosed to Balter Capital. The strategies employed by the Underlying Funds may involve significantly more risk and higher transaction costs than more traditional investment methods. In addition, Underlying Funds may not execute their strategy efficiently or consistent with past practices or its disclosure, leading to underperformance or losses to a Client. Balter Capital will seek to reduce these risks by spreading the investments of a Client among a variety of different Underlying Funds. However, it is possible that the performance of the Underlying Funds may be closely correlated in some market conditions, resulting (if those returns are negative) in significant losses to the Client.

**Cybersecurity.** As the use of technology has become more prevalent in the course of business, the Clients have become more susceptible to operational, financial and information security risks resulting from cyber-attacks and/or technological malfunctions. Successful cyber-attacks and/or technological malfunctions affecting the Clients or their service providers can result in, among other things, financial losses to the Clients, the inability to process transactions and the release of private or confidential Client information. While measures have been developed which are designed to reduce the risks associated with cyber security, there are inherent limitations in such measures and there is no guarantee those measures will be effective, particularly since the Clients not directly control the cyber security measures of their service providers, financial intermediaries and Underlying Funds in which they invests or with which they do business.

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

Not applicable.

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

In 2017, Balter Capital acquired a 20% membership interest in Midwood. Midwood is an affiliated investment adviser. Balter Capital advises clients on private fund investments. Conflicts may arise with Midwood private fund clients who are also advisory clients of Balter Capital. Balter Capital has adopted procedures to monitor these conflicts.

Later in 2017, Balter Capital Management, LLC (“Balter”) acquired a Class B limited partnership interest in Invenomic Capital Management LP (“Invenomic”), the Class B limited partnership interest does not entitle Balter to vote on any matter. Further, the interest is subject to vesting and, until certain vesting conditions are satisfied, Balter is not entitled to participate in Invenomic’s profits and losses. However, Balter has the right to receive 25% of Invenomic's capital upon the sale, lease, transfer, conveyance or other disposition of all or substantially all of the assets of Invenomic or the occurrence of certain other events deemed to be a "changes in control" (as that term is used in the Instrument of Accession pursuant to which Balter became a Class B limited partner of Invenomic). Invenomic is an affiliated investment adviser. Conflicts may arise with Invenomic private fund clients who are also advisory clients of Balter Capital. Balter Capital has adopted procedures to monitor these conflicts.



Neither Balter Capital nor any of its management persons is registered or has an application pending to register as broker-dealer, registered representative of a broker-dealer, futures commission merchant ("FCM"), commodity pool operator ("CPO") or commodity trading advisor ("CTA").

Balter Capital is affiliated with Balter Liquid Alternatives, LLC, that serves as investment adviser to registered investment companies. For a discussion of the conflicts of interest that may arise to the extent that Balter Capital recommends the investment of Client Accounts in affiliated registered investment companies, see Item 11.

Balter Capital 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

Balter Capital has adopted a Code of Ethics ("Code of Ethics") in accordance with Rule 204A-1 of the Advisers Act. Balter Capital has a fiduciary duty to place the interests of its Clients ahead of its own. Such fiduciary duty further requires that Balter Capital implements and enforces certain minimum standards of conduct that are applicable to its "access persons" in order to protect the confidentiality of material non-public information held by Balter Capital and to govern such access persons' personal securities trading activities. "Access person" means any supervised person, including any officer, director, employee, intern, or principal of Balter Capital who: (i) has access to non-public information regarding any Client's purchase or sale of securities; or (ii) is involved in making securities recommendations to Clients, or has access to recommendations that are non-public. The purpose of the Code of Ethics is to establish guidelines and procedures that are reasonably designed to identify and prevent access persons who may have knowledge of Balter Capital's investments (and investment intentions) from breaching their fiduciary duties to the Balter Capital's Clients, and to address other situations that may pose a real or potential conflict of interest or the appearance of a real or potential conflict of interest. The Code of Ethics requires that all access persons conduct themselves in accordance with high ethical standards, which should be premised on the concepts of integrity, honesty and trust, and in full compliance with all applicable federal and state laws and regulations concerning the securities industry.

### Personal Trading

Personal trading by access persons of Balter Capital is governed by, tracked and enforced through its personal trading policy ("Personal Trading Policy") in accordance with the requirements set forth under the Advisers Act. The Personal Trading Policy sets forth strict guidelines regarding personal trading activities to ensure all employees are in compliance with the legal requirements set forth in applicable legal federal and state securities laws as well as strict ethic standards.

Unless otherwise specifically permitted by the Code of Ethics, an access person may only effect a personal securities transaction in a “reportable security” if such personal security transaction has been pre-approved by the Chief Compliance Officer (“CCO”). The Code of Ethics also requires access persons to (i) report all their personal securities transactions involving reportable securities to the Chief Compliance Officer periodically and (ii) certify their compliance with the Code of Ethics on at least an annual basis.

A full copy of the Code of Ethics is available to Clients upon request.

#### Affiliated Registered Investment Companies

Balter Capital may recommend the investment of Client Accounts in affiliated registered investment companies that are advised by Balter Capital or an affiliate. These affiliated registered investment companies generally pay their investment advisers and service providers based on a percentage of their average net assets. Accordingly, Balter Capital has an incentive to recommend the investment of Client Accounts in these affiliated registered investment companies in order to increase the compensation that will be paid to Balter Capital and/or its affiliates by such affiliated registered investment companies.

To address these actual or potential conflicts of interest, Balter Capital will recommend the investment of Client Accounts in affiliated registered investment companies only when such an investment would be consistent with the investment objectives, policies, guidelines and restrictions of a Client Account. Further, because Balter Capital recommends affiliated registered investment companies only to non-discretionary Clients (*i.e.*, Client Accounts), all investment decisions with respect to affiliated registered investment companies will ultimately be made by the applicable Client Account. In addition, Balter Capital waives its management fee on the portion of Client Account assets invested in one or more affiliated registered investment companies.

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

In most cases, Balter Capital assumes general supervision over placement of securities orders for the Client portfolios it manages. In certain cases, Balter Capital must obtain Client approval of an investment decision before acting upon it. Balter Capital’s primary investment strategy involves direct investment of Client accounts in private investment funds and as such brokers are not used. Each underlying fund is responsible for selection of brokers to execute transaction conducted by such underlying fund, as well as determining the commission to be paid to such brokers. However, to the extent that Balter Capital uses a broker-dealer in a securities transaction being conducted on behalf of a Client, Balter Capital will have the authority to determine the broker-dealer to be used and the commission rate to be paid, taking into consideration the best available combination of execution and overall price (which includes the cost of the transaction), always seeking to obtain best execution. During the last fiscal year, neither Balter Capital nor its related persons acquired products or services with Client brokerage commissions (or markups or markdowns).

In certain instances for discretionary Managed Accounts, Balter Capital will recommend, but will not require, that the Managed Accounts use Charles Schwab as a broker due to Balter Capital's familiarity with the broker's web platform and services. Balter Capital has no financial benefit from Charles Schwab, does not receive any special research or services that are not offered to any of Charles Schwab's retail clients, nor does it receive any special commission rate from Charles Schwab not offered to other retail clients.

In certain instances for discretionary custody of cash, Balter Capital will recommend, but will not require, that the Client use First Republic Bank as a cash custodian due to Balter Capital's familiarity with the bank's web platform, services, and competitive interest rates. Balter Capital's principals maintain personal bank accounts at First Republic Bank, but do not receive any financial benefit not received by other First Republic Bank clients.

### **Item 13 – Review of Accounts**

Client Accounts and Managed Accounts are reviewed by Balter Capital to ensure goals and objectives are met on a quarterly basis. Quarterly reports are sent to each Client detailing fees and performance of each such Client. Additionally, account reviews will be completed at the specific request of the Client.

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

Balter Capital does not compensate any third party for client referrals.

### **Item 15 – Custody**

Balter Capital's Clients generally maintain custody arrangements through independent qualified custodians.

Clients should receive at least quarterly statements, and more typically monthly statements, from the broker dealer, bank, fund administrators, or other qualified custodian that holds and maintains Client's investment assets. Balter Capital urges Clients to carefully review such statements and compare such official custodial records to the account statements that we may provide. Balter Capital's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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

With respect to Managed Accounts, Balter Capital usually receives discretionary authority from the Client at the outset of an investment advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Client account. When selecting investments and determining amounts, Balter Capital observes the investment

policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to Balter Capital in writing.

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

Generally, Balter Capital does not vote proxies on behalf of the Managed Accounts because it does not invest directly in public securities but instead invests in Underlying Funds in which such Underlying Funds may vote proxies. To the extent that any Underlying Fund does vote proxies, the Chief Compliance Officer will review the proxy voting policy of such underlying fund's manager to determine that adequate controls are in place. In the event Balter Capital does vote proxies for its clients, it will do so in the best interest of its clients.

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

Not applicable.

#### **Item 19 – Requirements for State Registered Advisers**

Not applicable.