

**Part 2A of Form ADV: *Firm Brochure***

**PRIVATE CAPITAL STRATEGIES, LLC**

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**This brochure provides information about the qualifications and business practices of Private Capital Strategies, LLC . If you have any questions email team@privatecapitaladv.com about the contents of this brochure, please contact Ann Margaret Torregrossa at (347) 960-4520 or team@privatecapitaladv.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Reference made to Private Capital Strategies, LLC as being a registered investment adviser does not imply any particular level of skill or training by our firm or employees or that the SEC has endorsed our respective qualifications to provide investment advisory services.**

**Additional information about Private Capital Strategies, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Private Capital Strategies, LLC is 163569.**

## **ITEM 2 MATERIAL CHANGES**

The following is a summary of material changes to this Brochure from the time of the annual update of the Brochure dated 3/31/2019:

- Anderson Advisors, LLC changed its name to “Private Capital Strategies, LLC” as of 03/03/2016.
- TAM Group, LLC is managing funds for Bayberry-West Partners, L.P.
- Separately Managed Accounts have been added to the investment strategy of Bayberry-West Partners, L.P.

The following material change occurred on August 24, 2108

- Ann Margaret Torregrossa was appointed the new Chief Compliance Officer

Consistent with the requirements, we will ensure that you receive a summary of any material changes to this and subsequent Firm Brochures within 120 days of the close of our business’ fiscal year. Furthermore, we will provide you with other interim disclosures about material changes, as appropriate.

Currently, the Firm’s Brochure may be requested by contacting Ann Margaret Torregrossa, Chief Compliance Officer, at 1 347 960-4520 or [team@privatecapitaladv.com](mailto:team@privatecapitaladv.com)

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#### ITEM 4. ADVISORY BUSINESS

Private Capital Strategies, LLC (hereinafter “PCS”, “the firm” or “we”) is an SEC-registered investment adviser with its principal place of business in New York, NY. The firm has been in business since 2003. Matthew C. Andrews, and Private Capital Advisors, Inc. (“PCA”), an affiliated registered investment adviser firm, whose Managing Director is Vincent Andrews, are the managing members of PCS. Robert S. Anderson is a non-managing member.

PCS provides investment management services solely to the private fund set forth below (hereinafter “the Fund”). PCS also serves as the general partner to the Fund.

- *BAYBERRY-WEST PARTNERS, L.P.*

The Fund is not required to register under the Securities Act of 1933 or the Investment Company Act of 1940 in reliance upon certain exemptions available to issuers whose securities are not publicly offered. Interests in the Fund are limited to certain qualified investors as set forth in the Fund’s offering documents. We manage the Fund on a discretionary basis in accordance with the terms and conditions of the Fund’s offering and organizational documents. PCS does not manage any assets on a non-discretionary basis.

The Fund is managed as a “fund of funds” and, as a result of this investment approach, we primarily transact in the interests of the underlying hedge funds which in turn trade in various securities or other investments for the underlying fund. On a limited basis, we may allocate a percentage of the Fund’s assets to be managed by a third-party manager in a separate account, rather than through a hedge fund or other pooled investment vehicle. As of December 31, 2018, the firm managed approximately \$4,423,456.

The investment objective of the Fund will be to seek to achieve capital appreciation by deploying the Fund’s assets among a selected group of portfolio managers who may be managers of funds (in which case the Fund will invest in such funds) or who may manage accounts for the Fund. The investment styles of portfolio managers generally favored by the firm include, but are not limited to:

- Growth Stock Investing - Funds that emphasize rapid growth or emerging growth companies with the ability and the inclination (where their charters allow) to sell short if valuations seem too lofty. These funds tend to do well in “bull markets” and prosperous economic conditions. While it is true that growth oriented issues can be small, medium and large companies, in general the firm’s managers will emphasize smaller and medium-sized companies (with market capitalizations of up to \$5 billion).
- Value Investing – Funds that primarily emphasize “value” (i.e., securities that are undervalued relative to the market for securities of similar characteristics). Once again, the value manager should have the ability and the inclination (where their charters allow) to sell short when valuations run too high on a relative basis. These funds do well in trendless or “flat” markets. Value oriented managers tend to emphasize companies of all sizes including listed and OTC issues. More often

than not these are misperceived companies or poorly followed issues. Value oriented managers sometimes discover companies that become acquisition targets and therefore appreciate substantially when they are acquired.

- Sector Investing – Funds that primarily invest in one industry, such as banking/financial, media, medical technology, insurance, computer software and services or retailing. These funds tend to be somewhat cyclical depending upon the appeal of the given industry to investors at a particular point in time. This cyclicity may be offset by managers who successfully sell short, when and where their charters allow. These investments can feature large and small capitalization stocks and include both value and growth issues.
- Foreign Investing – These funds specialize in common stocks of companies outside the United States. They may be Canadian, European, Japanese, developing and other countries. While individual countries go through periods of greater or lesser appeal to investors and have proven to be cyclical, fund managers attempt to offset this cyclicity by both selling short (where their charters allow) and selecting other countries with more favorable economic factors providing greater investor appeal. Foreign investing usually involves investing in many different industries and often includes large and small capitalization stocks as well as growth and value issues. These managers have considerable latitude in their choices of stocks.

PCS evaluates, selects and monitors the underlying funds and managers through a robust due diligence process in which we seek to evaluate a prospective fund or separate account manager's business operations, integrity, execution ability, portfolio risk management and the risks and opportunities inherent to its strategy. The allocation of the Fund's assets to various funds, managers or other investments is intended to minimize overall risk while maximizing the ability to achieve the Fund's overall objective.

**ADDITIONAL CONSIDERATIONS:** The information provided herein merely summarizes the detailed information provided in the Fund's offering and organizational documents. Prospective investors in the Fund should be aware of additional risks and requirements associated with investment and should refer to the Fund's offering and organizational documents for important additional information and considerations.

## **ITEM 5. FEES AND COMPENSATION**

For our services to the Fund, we charge a management fee and a performance-based fee as described below.

Management Fee – PCS receives quarterly management fees equal to  $\frac{1}{4}$  of 1% (or one percent on an annualized basis) of the value of the net assets of the Fund as of the end of each quarter. The management fee will generally be calculated and payable to PCS quarterly, in arrears, as of the last day of each quarter. PCS receives no fees, brokerage commissions or other compensation from any of the managers with which the Fund invests.

Performance Fee – The profits and losses of the Fund will be allocated among all of the investors as of the end of each year. Profits and losses from any restricted investments will be allocated only to investors eligible to participate therein. To the extent that the profits allocable to an investor in the Fund, in proportion to his or her capital (after deducting applicable fees and expenses), should amount to a positive investment return in excess of 10% per annum (or a pro rated annualized 10% return for any fraction of a year), then the lesser of the amount of such excess or 1% of such investor's capital shall be reallocated to PCS. The profits or losses of the Fund for a particular period will be measured in terms of the increase or decrease in the value of the net assets of the Fund from the beginning to the end of the period, after giving effect to the expenses of the Fund for such period. Investments will therefore reflect unrealized gains and losses in addition to dividends, interest and realized capital gains and losses. In each case, profits and losses will be allocated among the investors pro rata in proportion to the value of their respective capital accounts at the beginning of the applicable period. Investors should be aware that the performance fee is not subject to a loss carry-forward.

#### **GENERAL INFORMATION:**

***Personal Investments in Funds:*** Certain executive officers and/or other employees of PCS and/or their family members have invested or may invest a portion of their personal net worth in the Fund. In addition, certain trusts and other entities formed for the benefit of certain managing members' family members have invested in the Fund, and, in some cases, in some of the underlying funds in which the Fund has invested.

***Different Fee Schedules:*** The management fee and the performance fee may be discounted or waived with respect to any investor for any particular period of time at the sole discretion of PCS. Such discounted rate or waiver is not available to all or even most investors in the Fund.

***Termination:*** An investor may withdraw from the Fund altogether as of the end of the first full calendar year of twelve consecutive calendar months next succeeding the date on which such investor was admitted to the Fund and as of the last day of each year thereafter by giving not less than forty-five (45) days' prior written notice to PCS. Distribution of an amount equal to 90% of the estimated capital account of a withdrawing investor will be made to such investor or his legal representatives within fifteen (15) days after the end of the year, and distribution of the balance of such capital account, as finally determined, will be made within fifteen (15) days after the receipt by the Fund of its audited financial statements for the year in which such withdrawal took place, except that each such distribution will be subject to receipt by the Fund of distributions from the partnerships, managed accounts or registered investment companies in which the Fund is then invested. PCS may in its sole discretion, waive or modify any of the terms of withdrawals for certain investors who are relatives, employees or affiliates of PCS or its principals, or for certain large or strategic investors as well as in any other case.

Investors in the Fund should refer to the Fund's private placement memorandum and offering documents for complete information regarding withdrawals of investments.

***Other Fees and Expenses:*** Prospective investors in the Fund, itself a fund of funds, should note that he/she will incur at least two layers of fees: Our management fee and performance-based compensation, as set forth above, as well as the management fee and/or a performance-based compensation charged by the underlying hedge funds or separately managed accounts in which the Fund invests. This layering of fees is incorporated in the net income or loss of the Fund, is not readily apparent to investors and will lower the investor's overall return.

While it is not anticipated that open-ended mutual funds will be included in the clients' portfolios, money market mutual funds may be used to "sweep" unused cash balances until they can be appropriately invested. In addition, from time to time, as appropriate, we may invest a portion of the Fund's assets in real estate investment trusts ("REITs") or other publicly traded closed-end funds. Investors should recognize that all fees paid to PCS for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds, REITs, exchange traded funds (ETFs) and other funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee.

The Fund will also generally be responsible for certain Fund expenses, including, but not necessarily limited to, legal expenses, professional fees (including, without limitation, expenses of consultants and experts) relating to investments, accounting expenses, auditing and tax preparation expenses, organizational expenses, government fees and taxes, expenses incurred in connection with the offering and sale of the Fund's interests and other similar expenses related to the Fund.

In addition to fees paid to our firm and to each of the underlying fund managers, investors will also be responsible for the fees and expenses charged by custodians and imposed by any broker dealer with which PCS or an underlying fund manager effects transactions for the Fund. Please refer to Item 12 of this brochure for additional information regarding brokerage practices.

***Side Letters:*** PCS may in the future waive or modify the terms of investment for certain large or strategic investors, in side letters or otherwise, in its sole discretion, including but not necessarily limited to, a waiver or lowering of the management or performance fees or fee structure. We may also agree to increased transparency or reporting though we would typically provide similar increased transparency and/or reporting to other investors upon their request.

***"Side Pockets":*** A portion of the Fund's capital may, from time to time, be invested in illiquid securities and instruments or which become illiquid after an investment is made. Under these circumstances, PCS has the authority to hold such investments in separate, special situation sub-accounts (each a "Side Pocket"). Side Pockets will generally carry

significant or complete restrictions on transfer or liquidation prior to the occurrence of events, which will typically be outside of our control. A Fund investor may be required to hold Side Pocket assets for several years before any disposition can be effected.

**Direct Debiting:** All fees are directly debited from each investor's capital account as appropriate.

**General:** The information provided above is merely a summary of some of the salient terms and conditions of investing in the Fund. Investors and prospective investors should refer to the appropriate offering and organizational documents for additional detailed information, terms, conditions and risks involved with investing in the Fund.

## **ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As we disclosed in Item 5 of this Brochure, PCS will receive performance-based compensation from the Fund. Such performance-based compensation is generally calculated based on a share of all net realized income and gains and losses of the Fund. Investors and prospective investors in the Fund should note that performance-based compensation, in some contexts, can create an incentive for an adviser such as PCS to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

Side-by-side management refers to multiple client relationships where an adviser manages more than one advisory client relationship or portfolio on a simultaneous basis. PCS does not provide side-by-side management at this time.

Performance-based compensation will only be charged in accordance with the provisions of Rule 205-3 of the Investment Advisers Act of 1940 and/or applicable state regulations.

## **ITEM 7. TYPES OF CLIENTS**

Our firm provides investment management services solely to the Fund as disclosed in Item 4 of this Brochure.

Except as permitted by us in accordance with the appropriate Fund's subscription documentation, the minimum required initial investment for the Fund is \$50,000. Because interests in the Fund and any new Fund launched by PCS or our affiliates were and will be offered pursuant to certain exemptions from registration under the Securities Act of 1934 and the Investment Company Act of 1940, any investor or prospective investor in a Fund managed by PCS must meet certain minimum qualification requirements as set forth in the applicable Fund's subscription documents. Investors and prospective investors should refer to the Fund's offering documents for information regarding that Fund's minimum required capital investment as well as any additional qualifications required for investment.



## **ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

As adviser to the Fund, itself a fund of funds, our firm primarily invests in the interests of other hedge funds. As such, traditional fundamental, technical or other securities analysis is not possible when formulating recommendations. Instead, we rely on a robust due diligence process of the hedge funds and their investment managers in determining which funds to invest in on behalf of our clients. We do also invest with outside investment managers in separately managed accounts.

It is our policy and practice to conduct initial due diligence with respect to the investment manager of any prospective hedge fund investment or outside manager and to monitor any selected investment manager on an on-going basis to determine and evaluate the portfolio management team's background, experience and philosophy; the process by which the manager makes investment decisions; how those decisions are implemented; the manager's investment track record in both up and down markets; the manager's risk management controls, parameters and evaluation process, and the adequacy and effectiveness of the manager's operational and compliance controls and infrastructure. It is our policy and practice to seek to avoid investment in any hedge fund or outside manager where we determine that the manager of such fund has failed to adopt certain minimal operational and compliance controls and safeguards.

The principal driver of portfolio selection is the relative skill set of the underlying fund managers in research, trading, risk management and organization building, with the integrity of the individual(s) managing the hedge funds or outside managers of paramount consideration. The identity of underlying fund managers is likely to change over time; they may be removed by us or a new manager may be appointed without prior notice or consent of investors.

A primary source of information used to identify potential hedge funds or outside managers for investment include personal references, qualitative reviews of fund's portfolio managers as described above, and review of the Fund Offering Memorandum, Limited Partnership Agreement, Subscription Agreement, performance records and other documents.

One of the primary risks of investing with a third-party fund manager or outside manager based, in part, on successful past performance is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for the Fund. Moreover, as we do not control the manager's daily business and compliance operations, it is possible for us to miss the absence of internal controls necessary to prevent fraud or other business, regulatory or reputational deficiencies.

We generally purchase interests in underlying hedge funds or outside managers with the idea of holding them in the Fund for a year or longer. This investment strategy is

typically referred to as “long-term purchases.” A risk in a long-term purchase strategy is that, if our projected analysis of the underlying fund’s performance is incorrect or if the of the underlying fund’s manager deviates from the stated investment mandate or strategy of the portfolio, it will usually take 90 days or longer before we can liquidate the position.

Risks in General: Securities investments are not guaranteed, and you may lose money on your investments. Investors or prospective investors should carefully review the Private Placement Memorandum of the Fund for a detailed explanation of many of the risks associated with the particular fund based on its objective and investment strategy as well as the underlying investments and other specific risks.

## **ITEM 9. DISCIPLINARY INFORMATION**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. Neither our firm nor our management personnel have reportable disciplinary events to disclose.

## **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

As disclosed in Item 4 of this Brochure, PCS is also the general partner of the Fund. And as disclosed at Item 5 of this Brochure, the general partner is entitled to performance fees, if any, earned pursuant to the terms and conditions of the Fund’s offering documents. As such, these fees will ultimately inure to the benefit of the principals of PCS.

Robert S. Anderson, in addition to his activities with the firm, is a registered representative of Beech Hill Securities, Inc., an SEC-registered broker-dealer, and FINRA member (“Beech Hill Securities, Inc.”). Robert S. Anderson is also a managing member of Penbrook Management, LLC, an affiliated SEC-registered investment adviser (“Penbrook Management”). Robert S. Anderson is also a managing member of AnKap, LLC, which acts as the general partner of AnKap Partners, L.P., a private investment fund or hedge fund holding predominantly small and mid-cap stocks (the “AnKap Fund”). In addition to his work on behalf of PCS, Robert S. Anderson manages the assets of the AnKap Fund. Robert S. Anderson maintains a sole proprietorship, Fairfield Data Systems, which provides consulting services.

Vincent Andrews, in addition to his activities with the firm, is Managing Director of Private Capital Advisors, Inc., an affiliated SEC-registered investment advisory firm that is a managing member of PCS (“Private Capital Advisors”).

Matthew C. Andrews, in addition to his activities with the firm, is President and Portfolio Manager of Private Capital Advisors, Inc., an affiliated SEC-registered investment advisory firm that is a managing member of PCS (“Private Capital Advisors”) and TAM Group, LLC.

There are no referral agreements between PCS, Penbrook Management or Private Capital Advisors, Inc. Furthermore, no Private Capital Strategies client is obligated to use the advisory services of Penbrook Management or Private Capital Advisors.

PCS' management personnel devote a significant amount, but not all, of their time to PCS' business and will devote as much time as they deem necessary and appropriate to manage the business of these other entities. PCS and its affiliates are not restricted from forming additional investment funds, entering into other investment advisory relationships or engaging in other business activities, even though such activities may involve substantial time and resources of PCS and its affiliates. Potentially, such activities could be viewed as creating a conflict of interest in that the time and effort of Private Capital Strategies management personnel and employees will not be devoted exclusively to the business of PCS but could be allocated among the business of Beech Hill Securities, Inc., Penbrook Management, the AnKap Fund, Private Capital Advisors, Inc., TAM Group, LLC and any other business activities of PCS and its affiliates. PCS and its management personnel, however, will devote as much time as they deem necessary and appropriate to manage PCS' business and this will comprise a significant amount of time.

Clients should be aware that the receipt of additional compensation by PCS and its management personnel or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. PCS endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to utilize the advisory services from our employees or affiliated companies;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

#### **ITEM 11. CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. Our Code of Ethics includes policies and procedures for the review of

quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering and provides for oversight, enforcement and recordkeeping. A copy of our Code of Ethics is available to our advisory clients and prospective clients, including investors and prospective investors in one or more of the Funds, upon request to the Chief Compliance Officer, at the firm's principal office address.

As disclosed at Item 5 of this Brochure, certain executive officers and/or other employees of PCS and/or their family members have invested or may invest a portion of their personal net worth in the Fund. In addition, certain trusts and other entities formed for the benefit of certain of the managing members' family members have invested in the Funds, and, in some cases, in some of the underlying funds in which the Fund has invested.

TAM Group, LLC, of which Matthew Andrews is the Portfolio Manager, is a separately managed account of which our private fund client, Bayberry-West Partners, LP, has made an investment. TAM makes investment decisions in the Bayberry account as a tactical equity strategy. It does whereby investing in similar portfolio names as Private Capital Advisors. Given the low turnover of PCA and the more tactical nature of TAM, there are rarely days when both firms are trading the same securities. We pay close attention to this and make sure if there is trading of the same security it does not happen at the same time.

It is the expressed policy of our firm that no person employed by us may usurp an investment opportunity for a personal account, family member's account, or any other account over which the officer or employee may have investment authority, when the opportunity may be appropriate for one or more of the Funds, without first presenting the opportunity to our Investment Committee, particularly when there is limited availability for participation in the opportunity. Also note that The Investment Committee does not meet on a formal basis.

As these situations' present conflicts or potential conflicts of interest, we have established the following restrictions in order to ensure our fiduciary responsibilities:

1. No officer or employee of our firm may prefer his or her own interest, or the interests of immediate family members or other beneficial owners of accounts in which the officer or employee may have investment authority, to that of an advisory client.
2. We maintain a list of all investments in hedge funds and managed accounts for our firm and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by the Chief Compliance Officer.
3. All of our officers and employees must act in accordance with all applicable

Federal and State regulations governing registered investment advisory practices.

4. Any individual not in observance of the above may be subject to disciplinary action up to and including termination.

The Investment Advisers Act of 1940 makes it unlawful for any investment adviser, directly or indirectly, acting as principal for its own account, to knowingly sell any security to, or purchase any security from, a client without disclosing to the client in writing the capacity in which the adviser is acting and obtaining the client's consent to the transaction. This rule may apply to certain transactions involving accounts in which investment advisers have interests, such as private fund investments by the firm's owners, principals, or employees. The SEC has indicated that when an investment adviser and/or its controlling persons own more than 25% of a fund's outstanding securities, it would be effectively treated as a principal transaction if such an account were to engage in a trade with another client account or fund.

PCS has adopted specific policies and procedures for monitoring the level of proprietary ownership in each Fund it manages. As a general matter, neither the Firm nor our related persons are permitted to engage in principal transactions with the Funds. In the event of a change to this policy, PCS will obtain the requisite consent before engaging in such a transaction as required and will amend these disclosures accordingly.

## **ITEM 12. BROKERAGE PRACTICES**

Because the Fund is structured as a fund of funds, we do not directly manage client portfolios in the traditional sense, but rather, we invest in the interests of other hedge funds that are directly managed by unrelated third-party investment managers. The manager of any fund considered for investment will generally have their own policies, practices and procedures with respect to brokerage. These underlying fund managers will generally have been granted the discretionary authority to select the broker dealer through which to execute trades on behalf of the underlying fund through the fund's organizational documents, offering documents or investment management agreement.

As part of its due diligence, PCS will seek to ensure that any manager of a hedge fund recommended for the Fund has adopted written policies and procedures reasonably designed to ensure that the manager will obtain best execution for trades placed in the underlying fund and that the manager endeavors to select brokers, dealers or other counterparties that will provide the best services (including research) at the lowest commission rates possible under the circumstances. It should be noted, however, that we do not have any direct influence or control over the underlying managers' selection of brokers or counterparties when executing transactions.

Due to the nature of our advisory services and investment model, we will directly execute a transaction for the Fund primarily when implementing a recommendation that the Fund invest in a hedge fund or other private fund. Depending on the specific circumstances, we will typically subscribe to the interests of a fund on the Fund through

direct contact with the private fund's general partner or manager or by responding to a solicitation of a finder or the fund's placement agent or prime broker. Typically, due to the limited nature and regulatory structure of private funds, multiple subscription sources, finders or prime brokers will not be available, and we may not be able to seek to execute the transaction through any other source or to negotiate finder fees, if any.

We do not have any formal or informal soft-dollar arrangements and do not receive any soft-dollar benefits from any broker, dealer or other counterparty.

### **ITEM 13. REVIEW OF ACCOUNTS**

PCS monitors the portfolio managers of each underlying fund on an ongoing basis and investment policies and philosophies are discussed with each manager regularly.

The Investment Committee conducts internal meetings on an informal basis periodically to discuss the underlying funds and fund managers, though not every fund or manager will necessarily be discussed at each meeting. Key investment personnel at PCS include Matthew Andrew and Vincent Andrews.

The Fund is audited annually by an independent certified public accountant that is both registered with and subject to regular inspection by the Public Companies Accounting Oversight Board and a copy of the audited financials are sent to each investor on a timely basis. In addition to annual audited financials, investors will receive at least quarterly (unaudited) reports of the performance of the Fund as compared to an applicable benchmark.

### **ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION**

Other than as already disclosed at Item 10 of this Brochure, neither PCS, nor any officer, director or employee of the firm, receives compensation from third parties in connection with providing investment advice to its clients.

Currently, the Fund is the firm's only client. As part of our marketing efforts, we have reserved the right to enter into arrangements to compensate certain persons, including third party placement agents and/or others, for referring investors to the Fund. If an investor is referred to the Fund through one of these arrangements, we will pay the referring party a fee (usually 1%) calculated as an agreed percentage of the investor's initial investment in the Fund.

We reserve the right to enter into additional, similar arrangements in the future. Although common, such referral arrangements do create a potential conflict of interest because, in theory, the referrer may be motivated, at least partially, by financial gain and not because the Fund is the most suitable to the prospective investor's needs. To address this potential conflict of interest, all referred investors are carefully screened to ensure that the Fund is

suitable to the prospective investor's investment needs, objectives and risk tolerance before any subscription is accepted.

#### **ITEM 15. CUSTODY**

Because we act as investment adviser and as general partner to the Fund, we are deemed to have custody of client assets under current applicable regulatory interpretations. As an adviser with custody, we seek to have the Fund audited on an annual basis by an independent public accountant that is both registered with and subject to regular inspection by the Public Company Accounting Oversight Board (PCAOB). Because the Fund is a fund of funds, we seek to send the audited financials to each investor within 180 days of the Fund's fiscal year end.

#### **ITEM 16. INVESTMENT DISCRETION**

As investment adviser to the Fund, PCS is granted the discretionary authority in the relevant organizational documents and/or advisory agreements to determine which securities and the amounts of securities that are bought or sold for the Fund.

#### **ITEM 17. VOTING CLIENT SECURITIES**

Typically, the underlying fund managers and outside investment advisors will vote proxies with respect to the holdings in their respective funds. However, in certain circumstances PCS may be required to vote proxies solicited by the underlying funds whose interests are held directly by the Fund or with respect of direct securities investments made by the Fund. Under these circumstances, PCS will vote proxies in the best interest of the Fund, typically with the goal of maximizing value for the Fund and the investors in the Fund. To that end, PCS endeavors to vote proxies in the manner that it determines in good faith will be the most likely to cause the Fund's investments to increase the most or decline the least in value. Consideration is given to both the short and long-term implications of the proposal to be voted on when considering the optimal vote. To date, PCS has not had the occasion to vote any proxies.

#### **ITEM 18. FINANCIAL INFORMATION**

Under no circumstances will we earn fees in excess of \$1,200 more than six months in advance of services rendered, therefore, we are not required to include a financial statement with this brochure.

PCS has not been the subject of a bankruptcy petition at any time during the past ten years