

**PARADICE**  
INVESTMENT MANAGEMENT

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

**September 26, 2019**

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This Brochure provides information about the qualifications and business practices of Paradise Investment Management LLC (“**Paradice**” or “**Adviser**”). If you have any questions about the contents of this Brochure, please contact Lucinda Hill at (720) 473-7504 or [lucinda.hill@paradice.com](mailto:lucinda.hill@paradice.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 Paradise is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Paradice is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940 (the “**Advisers Act**”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training.

References in this Brochure to products such as private investment funds are included solely for the purpose of describing the Adviser’s advisory business. This Brochure is not intended as an offer of any of these products, which are privately offered only to qualified investors.

## **Item 2: Material Changes**

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Paradice has made the following material changes to this Brochure since its last update on May 16, 2019:

- Item 5 has been updated to more accurately reflect Paradice's advisory fee structure.

Paradice may have also revised the language in various sections of this Brochure but has not materially altered any of its other responses in this Brochure.

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## **Item 4: Advisory Business**

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Paradice Investment Management LLC (“**Paradice**” or “**Adviser**”) is an investment management firm organized as a limited liability company under the laws of the State of Delaware. Paradice was founded in July 2012 and is wholly owned by PIM US PTY as trustee of PIM US Unit Trust, a trust organized under the laws of Australia. PIM US PTY as trustee of PIM US Unit Trust is controlled by Paradice Investment Management Pty Ltd (“**PIM Pty**”), an investment advisory firm located in Australia. PIM Pty is wholly owned by certain key employees of PIM Pty and is led by David Paradice as Managing Director. Kevin Beck serves as Paradice’s President and Lead Portfolio Manager.

The Adviser provides investment management services, directly or through its affiliates to privately offered pooled investment vehicles (the “**Funds**”) and separately managed accounts (“**SMA**” collectively with the Funds, the “**Clients**”). Certain Clients have entered into advisory agreements directly with Paradice (“**Direct Clients**”). Paradice also sub-advises Clients whose owners have retained PIM Pty as the primary investment manager (“**Sub-advised Clients**”). The management of the Sub-advised Clients is governed by the terms of a sub-advisory agreement with PIM Pty (the “**PIM Sub-Advisory Agreement**”).

### **Global Small Cap Investment Strategy**

Paradice provides global small cap equity portfolio investment advisory services (the “**Global Small Cap Investment Strategy**”) to its Clients. This strategy is designed around a diversified portfolio of undervalued global securities, generally with a portfolio of approximately 40-80 global investments.

### **Emerging Markets Investment Strategy**

Paradice also provides emerging market equity portfolio investment advisory services (the “**EM Investment Strategy**”) to its Clients. The Strategy typically invests in 40-60 securities with the goal of creating a high conviction yet well diversified portfolio of equities domiciled in, and/or economically tied to the emerging markets.

### **Assets Under Management**

As of June 30, 2019, Paradice manages \$3,605,625,360 in assets under management, all on a discretionary basis.

## **Item 5: Fees and Compensation**

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Paradice typically receives an asset management fee from Clients (the “**Management Fee**”). Where applicable, a performance fee may also be charged. The performance fee is equal to 15% per annum (“**pa**”) of the amount of the portfolio’s relative out-performance over the benchmark index after first having recovered a prior cumulative underperformance (high water mark) and the base Management Fees in that year. Fees and compensation are calculated in accordance with the

methodology specified in each Direct Client's advisory agreement and in accordance with the PIM Sub-Advisory Agreement for Sub-advised Clients.

#### Direct Clients:

The fee schedule applicable for separately managed accounts is as follows: A flat management fee of 1% per annum, or a Management Fee of 0.80% with a performance fee of 15%, this performance fee is further addressed under Item 6. Management Fees are monthly or quarterly in arrears, as specified in each Direct Clients advisory agreement.

#### Sub-advised Clients:

As noted above under Item 4, Paradice provides sub-advisory services to PIM Pty in relation to the Sub-advised Clients. In connection with such sub-advisory services, Paradice is compensated directly by PIM Pty in accordance with the agreement between the two entities. All Sub-advised Client fees are calculated and invoiced by PIM Pty.

In certain circumstances, fees for certain Clients may be individually negotiated. Negotiated fees may be higher or lower, or calculated differently, than those summarized above or may, in certain circumstances, be waived.

#### Expenses:

All Clients bear the brokerage and transaction costs associated with trading equities.

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

As described above, Paradice receives performance-based compensation from certain Clients which is equal to 15% of the amount of the portfolio's relative out-performance over the benchmark index after first having recovered a prior cumulative underperformance (high water mark) and the base Management Fees in that year. Performance Fees, where applicable, are invoiced either monthly, quarterly or annually on June 30<sup>th</sup>. As noted above, in connection with advisory services provided to Sub-advised Clients, Paradice is compensated directly by PIM Pty in accordance with the revenue sharing agreement between PIM Pty and Paradice. Under the revenue sharing agreement, Paradice receives a 100% of the performance fee paid to PIM Pty by the Sub-advised Clients. As discussed in more detail in Item 10 below, PIM Pty and Paradice utilize PwC Sydney and PwC U.S. on an annual basis to opine on the arm's length nature of the fee arrangement between Paradice and PIM Pty.

The fact that Paradice is compensated based on trading profits may create an incentive for Paradice to make investments on behalf of Clients that are riskier or more speculative than would be the case in the absence of such compensation. Further, the performance-based fee received by Paradice is based on both realized and unrealized gains and losses. As a result, the performance-based fee earned could be based on unrealized gains that sub-advised portfolios may never realize.

Paradice believes, however, that performance fee arrangements provide an incentive to seek to achieve a rate of performance higher than a calculated benchmark, and therefore aligns its interests with those of its Clients. Further, Paradice's portfolio manager actively monitors portfolio risk on the front end of the management process. Additional oversight of operational risk and compliance with Client investment guidelines is overseen by Paradice's CCO, operations team as well as PIM Pty's back office support, operating out of Sydney.

## **Item 7: Types of Clients**

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As described in Item 4 above, Paradice provides discretionary investment advisory services to pooled investment vehicles, government entities, superannuation or pension funds and institutional accounts either directly or through the PIM Sub-Advisory Agreement.

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

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### **Global Small Cap Investment Strategy**

Paradice's investment philosophy rests on finding strong business franchises trading at substantial discounts to a determination of intrinsic value. The investment strategy employs a bottom-up investment process to build a diversified portfolio of undervalued global securities that exhibit four key characteristics: undervaluation, business quality, strong financial metrics, and shareholder friendly management teams.

**Undervaluation.** As value investors, Paradice strives to buy assets with a material discount to an assessment of intrinsic value. The intrinsic value of a security is what the security would be worth if a buyer was to purchase 100% of the business. Paradice employs discounted cash flows and real world transaction multiples to arrive at assessments of intrinsic value. While undervaluation is the lynchpin of the investment process, investment candidates must also exhibit unique business quality with solid financial strength and management teams that know how to grow business value, which is revealed in those businesses that have leading market shares, solid margins, strong free cash flow generation, and improving returns on investment capital.

**Investment in companies with limited financial and operating leverage.** Paradice also seeks out companies that exhibit limited amounts of financial and operating leverage, which Paradice believes is financial strength that is both an offensive and defensive measure – offensive such that management teams can utilize this strength in an economic downturn to improve the earnings power of the business, and defensive in that it limits the permanent loss of capital in the portfolio. Lastly, Paradice's investment process is to search out those conservative management teams that understand business quality, the power of a strong balance sheet and what it takes to grow business value over time.

**Global investments.** The investment strategy generally will be comprised of a diversified portfolio of approximately 40 to 80 global investments that exhibit these key characteristics with a goal of strong, long-term risk adjusted returns. The investment process begins with a universe of global companies with market capitalizations of less than \$10 billion. Candidates for investment

are identified through rigorous bottom-up fundamental research. Quantitative screens from Bloomberg initially are used to narrow the universe and identify businesses that the investment team thinks have attractive valuation characteristics (P/E, cash flow, P/B, earnings growth, profitability, and return on capital). In addition, the investment team screens on such items such as 52-week lows, spin offs, rights issues and poor performers in order to identify those situations where there may be some dislocation in the market. These screens are rotated on a weekly basis and sorted by geography. Once the quantitative screens have been generated, the investment team uses qualitative analysis to eliminate countries or businesses where it believes a minority shareholder would be disadvantaged, business quality is inconsistent, or company management has a poor track record of generating value for shareholders. The initial screening generally results in a preliminary list of 50 to 100 companies that the investment team finds interesting and where it believes attractive risk/reward tradeoffs may be present.

At this point, the investment team selects companies from this list where it believes there may be an attractive risk reward tradeoff at a significant discount to its preliminary estimate of intrinsic value. Future estimates of financial performance are determined from an understanding of the company's strategic targets, analysis of the industry and its growth dynamics, conversations with customers and competitors as well as Paradise's understanding of normalized growth and margins in a particular industry. Other steps in this process include interviewing the company's management team, speaking with industry and company analysts, attending industry trade shows and analyzing competitor financials.

At the end of this rigorous analytical process, companies are ranked by the degree of the discount of the current market price to the team's estimate of the company's intrinsic value. Paradise invests along the company's capital structure where the investment team believes it can get the best risk/reward characteristics. The investment team assembles the investment strategy portfolio(s) by taking bigger positions in companies where the discount is greatest and smaller positions in companies with narrower discounts. Sizing of investments are also subject to adjustments for appropriate diversification by geography, sector and liquidity.

### **EM Investment Strategy**

The EM Investment Strategy seeks to capitalize on opportunities benefiting from an emerging middle class, favorable demographics, and rising per capita incomes by investing in businesses economically tied to the emerging markets that Paradise believes can compound value over an economic cycle.

**Investment Style and Approach.** Paradise employs a fundamental, bottom up investment process to construct a diversified portfolio of attractive equity securities of issuers domiciled in, and/or economically tied to, countries Paradise consider as having characteristics representative of emerging markets.

In selecting stocks, Paradise focuses on three pillars: structural demand opportunities, enduring business models, and value realization potential. Paradise looks for companies that have substantial economic exposure to structural demand opportunities in the emerging markets as distinct from being limited by geographic domicile or by constraining itself to what is in the

benchmark. Paradise defines structural demand opportunities as long-tailed, underpenetrated areas of demand for goods and services driven by rising per capita incomes, demographic trends, and a desire for a better quality of life. Paradise also focuses on enduring business models that can generate and sustain high returns on capital. These are businesses with sustainable competitive advantages, offering a strong value proposition, and with management teams that excel at capital allocation. Paradise gravitates towards companies that it believes are better positioned to withstand downturns. These companies generally operate with conservative capital structures, generate strong free cash flow and have track records of strong corporate governance.

Paradice views risk management to be equally as important as stock selection – focusing on three (3) main objectives: minimizing correlation risk, mitigating macro volatility, and minimizing behavioral errors. Paradise seeks to minimize correlation risk by considering multinational corporations with substantial emerging market exposure, small/mid cap companies, and companies that realize value over different time horizons. Paradise closely analyzes the macro profile of each country in which it invests to understand the risks that could negatively impact the compounding trajectory of its investments. Paradise also seeks to minimize behavioral risks through thoughtful position sizing, attention to capital committed, and a strong sell discipline. Paradise does not view its macro analysis as an asset allocation tool; it is a supplement to the bottom up analysis that enables Paradise to incorporate macro related risks into valuation.

**Portfolio Construction.** Ideas are generated through a combination of screens, travel, conferences, industry contacts, and company meetings. The investable universe of stocks is narrowed through process related requirements around liquidity, business model characteristics, balance sheet strength, corporate governance, cash flow characteristics, and other quantitative and qualitative considerations. The companies in which the strategy invests typically have market capitalizations of at least US \$500 million at the time of initial purchase and average daily trading volume of at least US \$5 million, though the strategy may invest in a company with a lower market capitalization or average daily trading volume. The team seeks to construct a portfolio of 40-60 securities. This level of concentration obligates the team to remain disciplined and only include the highest conviction ideas. The team does intentionally seek diversification across both sectors and geographies. Within the portfolio, stock weights are determined based on the following factors: conviction level, variability in outcomes, quality of business, liquidity profile, and risk of impairment. Stocks weighted more significantly are often higher quality businesses, larger cap, less likely to be disrupted, and with a narrower set of outcomes. Stocks weighted lower tend to be smaller cap, less liquid names with a greater degree of business model variability and wider risk/return profile.

## **Risks**

All investing involves a risk of loss, and the investment strategies offered by Paradise could lose money over short or even long periods. The investment strategies may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of investment. No guarantee or representation is made that the investment strategy will achieve its investment objective or that the Clients of Paradise invested in the strategies will receive a return of their capital.



**Currency Risk.** Paradise Clients' will invest in securities denominated in currencies of other countries. If these currencies change in value relative to the base currency of a Client's investment, the value of the Client's investments can fluctuate. Paradise does not hedge the currency exposure in any way.

**Client Risk.** Risks particular to the Client include that it could terminate, the fees and expenses could change, the investment manager or responsible entity could be replaced, and the investment professionals could change. There is also a risk that investing in the Client may give different results than investing directly in the underlying assets of the Client themselves because of income or capital gains accrued in the Client and the consequences of investment and withdrawal by other investors.

**Counterparty Risk.** Some of the markets in which Paradise may affect its transactions are "over-the counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes Clients to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing Clients to suffer a loss.

**Cybersecurity Risk.** The increased use of technologies such as the Internet to conduct business makes Paradise susceptible to operational, information security and related risks. In addition, certain of Paradise's operations interface will be dependent on systems operated by third parties, including brokers, administrators, market counterparties and other service providers, and Paradise may not be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain defects, failures or interruptions, including, but not limited to, those caused by worms, viruses, network or other cybersecurity intrusions, power failures and human error in connection with managing a Client and its portfolio. Any such defect or failure could have a significant negative impact on a Client. For example, such defects or failures could cause settlement of trades to fail, lead to inaccurate accounting, reporting or processing of trades and/or cause inaccurate reporting, which may affect Paradise's ability to monitor the risks associated with a Client's investment portfolio. Furthermore, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of Paradise, its affiliates, Clients' service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of Paradise's systems to disclose sensitive information in order to gain access to Paradise's data or that of Clients' or the underlying investors. A successful penetration or circumvention of the security of the Adviser's systems could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause Clients, Paradise, or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. Paradise and its service providers have established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents. Any such plans and systems have inherent limitations including the possibility that certain risks have not been identified. Additionally, substantial costs may be incurred in order to prevent any cyber incidents in the future.

**Emerging Market Risk.** Many of the risks with respect to non-U.S. investments are more pronounced for investments in issuers in developing or emerging market countries. Emerging market countries tend to have less government exchange controls, more volatile interest and currency exchange rates, less market regulation, and less developed economic, political and legal systems than those of more developed countries. In addition, emerging market countries may experience high levels of inflation and may have less liquid securities markets and less efficient trading and settlement systems. Transactions in emerging markets issuers may also be subject to increased transaction costs or non-U.S. taxes. Emerging markets risk is also caused by exposure to economic structures that are less diverse and mature and to political systems that are less stable than those of developed countries. In addition, issuers in emerging markets may experience a greater degree of change in earnings and business prospects than would companies in developed markets.

Additionally, with respect to the EM Investment Strategy, the Fund holds a substantial portion of its investments in emerging markets, which are markets in certain countries that may not be as developed, efficient or liquid as in Australia or the United States. The Fund's investment in developed markets (excluding Hong Kong) will generally not exceed 20% of the Fund's value. Therefore, the investment risk may be particularly high as the Fund invests in emerging market securities. Securities in these markets may present market, credit, currency, liquidity, legal, political and other risks different from, or greater than, the risks of investing in developed countries, and their value may often be more volatile. These factors can have both positive and negative influences on the value of the Fund's investments.

**Inflation Risk.** Inflation risk is the risk that returns will not be sufficiently higher than inflation to enable an investor to meet their financial goals.

**International Investing Risk.** The Fund will hold investments in global emerging markets securities. Certain countries may impose restrictions on the ability of locally domiciled companies to make payments of principal, dividends or interest to investors located outside the country, due to blockage of foreign currency exchanges or otherwise. Generally, there may be less publicly available information about foreign companies due to less rigorous disclosure or accounting standards and regulatory practices. In addition, the Fund could be subject to risks associated with adverse political and economic developments in certain countries, which could cause the Fund to lose money on these investments.

**Interest Rate Risk.** Changes in official interest rates can directly and indirectly impact (negatively or positively) on investment returns. Generally, an increase in interest rates has a contractionary effect on the state of the economy and thus the valuation of stocks. For instance, rising interest rates can have a negative impact on the Client's or a company's value as increased borrowing costs may cause earnings to decline. As a result, the unit value or share price may fall.

**Legal Risk.** There is a risk that laws, including tax laws, might change or become difficult to enforce. This risk is generally higher in emerging markets. Legal and regulatory risk may affect the performance of individual investments held by the Fund.

**Liquidity Risk.** There may be times when there may be a limited secondary market for the securities in which the Fund may invest and that may affect the ability of the Fund to realize investments or to meet withdrawal requests (e.g. in a falling market where companies may become less liquid). Note that neither Equity Trustees nor Paradise guarantees the liquidity of the Fund's investments or of investments in the Fund.

**Market Risk.** The market price of investments may go up or down, sometimes rapidly or unpredictably. Assets may decline in value due to factors affecting markets generally or particular industries represented in the markets. The value of an investment may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, supply and demand for particular securities or instruments, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. During a general market downturn, multiple asset classes may decline in value simultaneously. Further, changes in tax, legal and economic policy, political events and technology failure can all directly or indirectly create an environment that may influence the value of the investments of the Fund and your investment in it.

**Management Risk.** The value of the Client's investments depends on the judgment of the investment manager about the quality, relative yield, value or market trends affecting a particular security, industry, sector or region, which may prove to be incorrect. Investment strategies employed by the investment manager in selecting investments for Clients may not result in an increase in the value of the Client's investment or in overall performance equal to other investments.

**Non-U.S. Investment Risk.** The prices of non-U.S. securities may be more volatile than the prices of securities of U.S. issuers because of economic and social conditions abroad, political developments, and changes in the regulatory environments of foreign countries. In addition, changes in exchange rates and interest rates may adversely affect the values of the Client's non-U.S. investments. The governments of certain countries may prohibit or impose substantial restrictions on foreign investments in their capital markets or in certain industries. Certain foreign governments may not supervise and regulate stock exchanges, brokers and the sale of securities to the same extent as does the United States and may not have laws to protect investors that are comparable to U.S. securities laws. In addition, settlements and clearance procedures in certain foreign markets may result in delays in payment for or delivery of securities not typically associated with settlement and clearance of U.S. investments, or may be subject to higher transaction costs than would typically be associated with U.S. investments, and may be subject to non-U.S. taxes.

There may be less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the United States. Non-U.S. companies are generally subject to different legal and accounting standards than U.S. companies, and foreign financial intermediaries may be subject to less supervision and regulation than U.S. financial firms. In addition, non-U.S. banks and securities depositories may be recently organized or new to the foreign custody business and may be subject to only limited or no regulatory oversight.

**Security Selection Risk.** Paradice may make investment decisions that result in low returns. This risk is mitigated to some extent by the knowledge and experience of Paradice.

**Security Specific Risk.** There may be instances where a company or managed investment scheme will fall in price because of company/managed investment scheme specific factors (e.g. where a company's or manager's major product is subject to a product recall). The value of investments can vary because of changes to management, product distribution or the company's business environment.

**Small Cap Stocks.** Paradice Clients may invest in securities of small-capitalization companies, which may be subject to more abrupt or erratic market movements and may have lower trading volumes or more erratic trading than securities of larger, more established companies or market averages in general. In addition, such companies typically are more likely to be adversely affected than large capitalization companies by changes in earning results, business prospects, investor expectations or poor economic or market conditions. The market for securities of small - capitalization issuers may be less liquid and more volatile than securities of larger companies. This means that Clients could have greater difficulty buying or selling a security of an issuer at an acceptable price, especially during periods of market volatility.

**Systemic Risk.** World events and/or the activities of one or more large participants in the financial markets and other events or activities of others could result in a temporary systemic breakdown in the normal operation of financial markets. Such events could result in Clients losing substantial value caused predominantly by liquidity, which could result in the Client incurring substantial losses.

**Transaction Execution and Cost Risk.** The successful application of Client's investment strategy depends significantly upon the quality of execution of transactions, such as the ability of broker-dealers to execute orders on a timely and efficient basis. Although the Adviser will seek to use brokerage firms which, in the Adviser's view, will afford superior execution capability to the Client, there is no assurance that all of the Client's transactions will be executed with optimal quality. Total commission charges and other transaction costs are expected to be high. The level of commission charges as a cost to the Client may be expected to be a significant factor in determining future profitability of the Strategy.

**IT IS CRITICAL THAT INVESTORS REFER TO THE APPLICABLE GOVERNING DOCUMENTS FOR A COMPLETE UNDERSTANDING OF THE MATERIAL RISKS INVOLVED IN AN INVESTMENT IN THE FUNDS, INCLUDING THE RISK OF FINANCIAL LOSS. THE INFORMATION CONTAINED HEREIN IS A SUMMARY ONLY AND IS QUALIFIED IN ITS ENTIRETY BY SUCH DOCUMENT.**

## **Item 9: Disciplinary Information**

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a Client or investor's evaluation of the adviser or the integrity of the adviser's management. Neither Paradice nor any of its officers, directors, employees or other management persons, have been involved in any legal or disciplinary events that would require disclosure in response to this Item.

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

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David Paradise, Chairman of Paradise, is Managing Director of PIM Pty, an affiliated investment adviser of Paradise that is not registered in the U.S. relying on the exemption from the definition of an investment adviser under the Investment Advisers Act of 1940 (the “**Advisers Act**”). PIM Pty is registered with the Australian Securities and Investments Commission.

As noted in Item 4, under the PIM Sub-Advisory Agreement, Paradise sub-advises certain Clients whose owners have retained PIM Pty as the primary investment manager. Under the PIM Sub-Advisory Agreement, Paradise manages the global equity and emerging markets portfolio for Sub-advised Clients employing the Global Small Cap Investment Strategy or EM Investment Strategy on behalf of PIM Pty. Paradise and PIM Pty have entered into an arm’s length fee arrangement. PIM Pty and Paradise utilize PwC Sydney and PwC U.S. on an annual basis to opine on the arm’s length nature of the fee arrangement. In general, revenue received by PIM Pty from Sub-advised Clients is shared between Paradise and PIM Pty in accordance with the investment management and client management role that each party performs.

PIM Pty is a “Participating Affiliate” of Paradise as that term is used in relief granted by the SEC staff’s no action letters allowing U.S.-registered advisers to use portfolio management and trading resources of unregistered advisory affiliates subject to the regulatory supervision of the registered adviser. PIM Pty has agreed to submit to the jurisdiction of the SEC and to the jurisdiction of the U.S. courts for actions arising under the U.S. securities laws in connection with the investment advisory services it provides for such Clients. In this regard, PIM Pty personnel perform various back office functions including trade settlement and NAV reconciliation, and research for Paradise.

Pursuant to a Memorandum of Understanding (“**MOU**”) between Paradise and PIM Pty, certain personnel of PIM Pty may also assist Paradise in providing investment advisory services to Clients. Similarly, certain Paradise personnel may serve as directors of PIM Pty. Currently, Kevin Beck serves as a director for PIM Pty.

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

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Pursuant to Rule 204A-1 of the Advisers Act, Paradise has adopted a written Code of Ethics (the “**Code**”) predicated on the principle that Paradise owes a fiduciary duty to its Clients and requires Access Persons (defined below) to place the interests of Clients above their own interests and the interests of Paradise. The Code applies to any partner, member, officer or director of Paradise and any employee or other supervised person of Paradise (collectively, “**Access Persons**”) who (1) has access to non-public information regarding any Client’s purchase or sale of securities, or non-public information regarding the holdings of any Client, or (2) is involved in making or executing securities recommendations or has access to such recommendations that are non-public.

The Code requires Access Persons to comply with applicable federal securities laws and promptly bring violations of the Code to the attention of Paradise’s Chief Compliance Officer. All Access

Persons are provided with a copy of the Code and are required to acknowledge receipt of the Code upon hire and on an annual basis thereafter.

The Code also sets forth certain reporting and pre-clearance requirements with respect to personal trading by Access Persons. Access Persons must provide the Chief Compliance Officer with a list of their personal accounts and an initial holdings report within 10 days of becoming an Access Person. In addition, Access Persons must also provide annual holdings reports and quarterly transaction reports in accordance with Advisers Act Rule 204A-1. The Code also describes Paradise's and its Access Persons' duty to protect material non-public information about securities/investment recommendations provided to (or made on behalf of) Clients.

In addition, under the Code, Paradise maintains a "restricted list" of companies about which Paradise (or its Access Persons) may have acquired material, non-public information. Access Persons are strictly prohibited from trading in securities of issuers on the restricted list.

Investors or prospective investors may obtain a copy of the Code by contacting the Chief Compliance Officer at (720) 473-7504 or [lucinda.hill@paradice.com](mailto:lucinda.hill@paradice.com)

## **Item 12: Brokerage Practices**

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Although Paradise seeks competitive brokerage arrangements, Paradise does not necessarily pay the lowest brokerage rates available. The compensation paid to any one broker-dealer may be greater than the amount charged by another firm for executing the same transactions if Paradise determines in good faith that such compensation is reasonable in relation to the value of the brokerage and research services provided. Selecting brokers, based on considerations that are not limited to commission rates, may result in higher transaction costs. In selecting and approving broker-dealers for use in execution, Paradise considers factors including the broker-dealer's reliability and reputation; commission rates; the quality of its services; its financial standing; and its execution capability and performance.

Paradise seeks to allocate investment opportunities in a fair and equitable manner taking into account Clients' best interests. In certain circumstances, investment allocations for certain Clients may differ due to investment restrictions detailed in the applicable investment management agreement. The investment team and the Chief Compliance Officer will routinely review investment allocations to ensure that allocations do not unduly favor any one Client or group of Clients and are in accordance with the applicable investment management agreement.

Orders for the same security entered on behalf of more than one Client, in the same strategy will generally be aggregated if the aggregation is in the best interests of all participating Clients. Paradise may aggregate Client trades when such aggregation is expected to be in the best interest of all participating Clients, is consistent with the investment guidelines of each Client and the regulations of the market in which is being transacted. Each Client that participates in the allocation of an aggregated order will participate at the average price for all of the participating transactions in that security on a given business day, with aggregated transaction costs shared pro rata based on each Client's participation in the transaction. Subsequent orders for the same security

entered during the same trading day may be aggregated with any previously unfilled orders. Trades in the same security by separate strategies generally will not be aggregated.

Section 28(e) of the Securities Exchange Act of 1934 provides a “safe harbor” to investment advisers who use commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the adviser in performing investment decision-making responsibilities. Paradice will only use soft dollars to obtain products and services that fall within the safe harbor provided by Section 28(e) of the Exchange Act. Paradice no longer bundles brokerage research and commissions in the Global Small Cap Investment Strategy. Accordingly, only the cost associated with brokerage commissions are borne by Clients in the Global Small Cap Investment Strategy. It should be noted that to the extent lawful and appropriate, other Paradice strategies may continue to bundle execution and research costs in broker commissions. Paradice does not currently have any formal soft dollar arrangements.

### **Item 13: Review of Accounts**

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Generally, managed portfolios will be reviewed on a continuous basis by the Lead Portfolio Manager and other key Paradice personnel. These reviews will be designed to monitor and analyze securities positions, cash levels, compliance with investment guidelines, and total portfolio performance. Paradice will also provide regular reporting to Clients as well as to PIM Pty concerning the sub-advised assets, including regular monthly, quarterly, and annual reports as set forth in the Client’s investment management agreement.

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

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Paradice has not engaged any third-party solicitors, consultants or placement agents, and does not directly compensate any person for Client referrals. It should be noted that PIM Pty has entered into an agreement with a third-party solicitor to assist PIM Pty in raising capital and identifying strategic partners (the “**Agreement**”). While Paradice is not a party to the Agreement it will be required to provide marketing information to the solicitor.

### **Item 15: Custody**

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Pursuant to Rule 206(4)-2 under the Advisers Act (the “**Custody Rule**”), Paradice is deemed to have custody of the assets held by Fund’s that are Direct Clients because Paradice serve as the investment manager of such Funds.

To ensure compliance with Custody Rule, Paradice will ensure that Direct Client Funds are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board (“**PCAOB**”) in accordance with its rules and that the Paradice Funds’ audited financial statements prepared in accordance with generally accepted accounting principles (“**GAAP**”) are distributed to all investors within 120 days of the end of each fiscal year. The Direct Client Funds are also subject to audit upon liquidation and the audited financial statements must be distributed to all investors.



promptly after the completion of such audit. Investors should carefully review such audited financial statements.

To ensure compliance with the Custody Rule, each Direct Client Fund's cash and securities are held in custody by a qualified custodian in such Client's name or in accounts that contain only cash and securities owned by the Client. Underlying investors in the Direct Client Funds also receive statements from their qualified custodians, no less than quarterly, and investors are reminded to carefully review those statements and compare these custodial records to any account statements that Paradise may provide.

## **Item 16: Investment Discretion**

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Paradise has discretionary authority to determine which securities or instruments to buy or sell, the total amount of securities or instruments to buy or sell, the executing broker or dealer for a transaction, and the commission rates or commission equivalents paid for transactions.

## **Item 17: Voting Client Securities**

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In accordance with its fiduciary duty to Clients and Rule 206(4)-6 of the Advisers Act, Paradise has adopted and implemented written policies and procedures governing the voting of Client securities.

Where voting is delegated to Paradise under the governing documents with the Client, Paradise will vote proxies in a way that it believes will cause the value of portfolio securities to increase the most, or decline the least, in an effort to maximize portfolio value. Paradise will seek to avoid material conflicts of interest between its own interests, on the one hand, and the interests of Clients on the other. All conflicts of interest will be resolved in the interests of Paradise's Clients. In situations where Paradise perceives a material conflict of interest, Paradise may defer to the voting recommendation of the Client, or take such other action, in good faith, which would protect the interests of its Clients. The process of voting proxies will be driven by the Portfolio Manager and monitored by the CCO.

Paradise's complete proxy voting policy and procedures are memorialized in writing and are available upon request. In addition, Paradise maintains a record of all proxy votes cast, which is also available upon request. Clients may request the foregoing information by contacting Lucinda Hill at (720) 473-7504 or [lucinda.hill@paradice.com](mailto:lucinda.hill@paradice.com).

## **Item 18: Financial Information**

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A balance sheet is not required to be provided as Paradise (i) does not solicit fees more than six months in advance, (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to Clients, and (iii) has not been subject to any bankruptcy.