

**ITEM 1: COVER PAGE**



**FIRM BROCHURE**  
Form ADV Part 2A

**Intrinsic Edge Capital Management, LLC**

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**April 22, 2019**

**This Brochure provides information about the qualifications and business practices of Intrinsic Edge Capital Management, LLC (“IECM”). If you have any questions about the contents of this Brochure, please contact us at (312) 734-1094 or [info@intrinsicedge.com](mailto:info@intrinsicedge.com). Note that, 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.**

**IECM is registered as an investment adviser with the SEC. Registration of an investment adviser with the SEC does not imply a certain level of skill or training, nor has any of the foregoing approved or disapproved of our qualifications.**

**Additional information about IECM is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). References to “we,” “us” and “our” in this Brochure are to IECM.**

## **ITEM 2: MATERIAL CHANGES**

This Brochure, dated April 22, 2019, is an other than annual update to our previous annual update dated March 28, 2019. Since the last annual update, IECM moved its office location to 180 North LaSalle Street, Suite 1800, Chicago, IL 60601. Additionally, as of April 2019, Akshay Kaura succeeded Jonathan Yaffe as IECM's Chief Operating Officer.

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## ITEM 4: ADVISORY BUSINESS

### **Firm Description**

Intrinsic Edge Capital Management, LLC (“IECM,” the “Investment Manager” or the “Firm”), is a Chicago based investment management firm. IECM, an Illinois limited liability company, was founded in 2016 by Mark D. Coe (“Mr. Coe”), the Firm’s Managing Member and Chief Investment Officer. IECM is the successor in interest to Coe Capital Management, LLC (“CCM”), an affiliated registered investment adviser, as the investment adviser to the Intrinsic Edge funds (defined below).

IECM provides discretionary investment advisory services to the following clients: Intrinsic Edge Partners L.P., Intrinsic Edge Plus, L.P., Intrinsic Edge Plus Offshore, Ltd., Intrinsic Edge Plus AI, L.P., Intrinsic Edge Capture, L.P., Intrinsic Edge Capture Offshore, Ltd., Intrinsic Edge Market Neutral, L.P. and Intrinsic Edge Market Neutral Offshore, Ltd. (each a “Fund” or the “Intrinsic Edge Fund” and collectively referred to as the “Intrinsic Edge Funds” or “Funds”). Intrinsic Holdings, LLC (the “General Partner”), a Delaware limited liability company and the general partner of the Intrinsic Edge Funds, or the board of directors of the Intrinsic Edge Funds, as applicable, have delegated day-to-day investment management authority of the Intrinsic Edge Funds to IECM. For additional information about the Intrinsic Edge Funds, the General Partner or board of directors, please refer to IECM’s Form ADV Part 1.

The Intrinsic Edge Funds are private hedge funds that generally invest in U.S. domestic equities and seek to generate positive risk-adjusted returns. IECM’s investment decisions for each Intrinsic Edge Fund are based on the investment objectives as stated in the respective offering memoranda, private placement memoranda, limited partnership agreements, investment management agreements or any other organizational documents (the “Governing Documents”), as applicable. The specific investment strategies are described further in Item 8.

IECM serves as sub-adviser for a registered investment company and private funds managed by unaffiliated third-party investment advisers (“Sub-Advised Accounts” and together with the Intrinsic Edge Funds, “Clients”). IECM’s investment management authority is established on a case-by-case basis at the commencement of such Sub-Advised Account’s advisory relationship. Trading activities on behalf of the Sub-Advised Accounts are generally made on a *pari passu* basis with one or more Intrinsic Edge Fund, except as otherwise agreed upon with each Sub-Advised Account pursuant to its respective sub-advisory agreement.

IECM manages each Intrinsic Edge Fund based on the Fund’s investment objectives and strategy and not pursuant to investment restrictions of any specific investor in the Fund. IECM provides investment advice directly to the Clients and not underlying investors in the Clients. Additionally,

as sub-adviser to the registered investment company, IECM manages the registered investment company in accordance with its investment objectives and strategy. The Clients' investment objectives and strategies can be found in each Client's Governing Documents and in the registered investment company's prospectus. Governing Documents are provided to each prospective investor prior to making an investment and should be read carefully prior to investing. Please refer to Item 8 for information on our methods of analysis and investment strategies.

IECM provides general investment ideas and research to CCM. Such research services include, but are not limited to: (i) consulting with CCM representatives with regard to securities currently under review by IECM; (ii) participation by CCM analysts in relevant IECM research calls; and (iii) providing IECM proprietary research reports and other standard research-related information, such as: the source of information (*e.g.*, research call, meeting, etc.), research analyst name, conviction level, thesis, earnings estimates, EBITDA, risk measurements, quarterly overview and outlook.

IECM provides investment recommendations to an unaffiliated, registered investment adviser providing a turnkey advisory management program ("TAMP") via a model platform. The model platform is based on a core strategy employed by IECM (refer to Item 8 for a description of IECM investment strategies). IECM does not have any investment or trading discretion over any of the TAMP investment adviser's portfolios ("TAMP accounts"), and therefore, does not have any involvement in the investment objectives or suitability determinations of the TAMP accounts.

As of December 31, 2018, IECM had approximately \$1,388,487,950 of regulatory assets under management, all of which were managed on a discretionary basis.

### **Principal Owner**

IECM's majority owner is the Mark D. Coe 2012 Irrevocable Trust controlled by Mr. Coe. Please refer to Item 10 for additional information on Mr. Coe's ownership of IECM affiliates. For more information about IECM's owner and executive officers, please see IECM's Form ADV Part 1, Schedule A.

### **ITEM 5: FEES AND COMPENSATION**

Each Intrinsic Edge Fund sets forth its fee structure in its Governing Documents, including how and when fees are calculated, charged and paid.

In exchange for the investment management services provided to Intrinsic Edge Plus, L.P., Intrinsic Edge Plus Offshore, Ltd., Intrinsic Edge Market Neutral, L.P. and Intrinsic Edge Market Neutral Offshore, Ltd., IECM will receive a monthly management fee equal to (i) 0.167%

(approximately 2% annually) of the balance of each investor's capital account up to \$3,000,000, and (ii) 0.125% (approximately 1.5% annually) of the balance of each investor's capital account greater than or equal to \$3,000,000. In exchange for the investment management services provided to all other Intrinsic Edge Funds, IECM will receive a management fee equal to 0.167% (approximately 2% annually) of the balance of each investor's capital account. Management fees are payable monthly, in advance.

As described in Item 6 below, the General Partner will receive performance-based fees typically calculated based on the net profits, subject to a high water mark, allocated to each investor capital account during such fiscal year.

In addition to the management fees and performance-based fees, certain expenses are borne by the Intrinsic Edge Funds, and therefore the underlying investors in the Intrinsic Edge Funds. Please see the Governing Documents for detailed expense information.

IECM has entered into certain Intrinsic Edge Fund side letter agreements that provide certain investors with reduced fees and other terms or rights than those provided to other investors in the Intrinsic Edge Funds.

IECM retains discretion over the management fees and performance-based fees it charges to its Clients. The Investment Manager and/or General Partner reserves the right, in its sole discretion, to reduce or waive all or a portion of its fees with respect to certain investors, including, without limitation, employees or affiliates of the Investment Manager.

IECM serves as sub-adviser for the Sub-Advised Accounts. In its capacity as sub-adviser to the Sub-Advised Accounts, IECM's fees and services are determined on a case-by-case basis as memorialized in each sub-advisory agreement negotiated at the onset of such advisory relationship. For each Sub-Advised Account, IECM receives a sub-advisory fee from the investment adviser. Depending on the specific Sub-Advised Account, the sub-advisory fee consists of a management fee (payable monthly or quarterly depending on the specific Sub-Advised Account) and/or an annual performance-based fee typically calculated on net profits, subject to a high water mark, of the Sub-Advised Account, payable in arrears.

In consideration for services provided pursuant to TAMP, IECM receives a fee based on the manner in which the IECM model is implemented across the TAMP accounts, the size of assets employed within the TAMP accounts and/or based upon individual investment ideas utilized across the TAMP accounts' broader investment strategies. TAMP's investment adviser maintains sole discretion whether to implement and how to implement IECM's model strategy across TAMP accounts. IECM does not have investment or trading discretion with respect to the TAMP accounts.

CCM pays IECM a flat monthly fee for research services provided by IECM pursuant to a services agreement.

IECM employees are eligible to receive a portion of the management fees, performance-based fees and/or other compensation received by IECM from its Clients. To address any potential conflict of interest, IECM implemented written policies and procedures, which include performing periodic reviews, on a sampling basis, of the trades placed for the Intrinsic Edge Funds and Sub-Advised Accounts to help ensure transactions are executed in line with stated investment objectives and strategies, are equitable and in the best interests of all Clients and underlying investors.

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

### **Performance-Based Fees**

The General Partner will receive performance-based fees typically calculated based on the net profits, subject to a high water mark, allocated to each investor capital account during such fiscal year. The performance-based fees are described in detail in the Governing Documents and have been structured in accordance with Section 205(a)(1) of the Investment Advisers Act of 1940 (the “Advisers Act”) subject to the available exemptions, including the Rule 205-3 exemption. Sub-Advised Account performance-based fees are determined on a case-by-case basis as memorialized in each sub-advisory agreement negotiated at the onset of such advisory relationship. Please see Item 5 for additional information on the sub-advisory fees.

The General Partner, in its discretion, may waive, reduce or calculate differently any applicable performance-based fee with respect to certain investors, including without limitation, employees and affiliates of IECM.

As stated in Item 5, IECM employees are eligible to receive a portion of the management fees, performance-based fees and/or other compensation received by IECM. Further, Mr. Coe, as Managing Member of the General Partner, indirectly benefits from the payment of performance-based fees. To address any potential conflict of interest, IECM implemented written policies and procedures, which include performing periodic reviews, on a sampling basis, of the trades placed for the Intrinsic Edge Funds and Sub-Advised Accounts to help ensure transactions are executed in line with stated investment objectives and strategies, are equitable and in the best interests of all Clients and underlying investors.

Performance-based fees create certain inherent conflicts of interest with respect to IECM’s management of assets. The entitlement to performance-based fees in managing one or more accounts may create an incentive for IECM to make riskier or more speculative investments than would be the case in the absence of such arrangements. Since performance-based fees reward an

adviser for strong performance in accounts which are subject to such fees, IECM may have an incentive to favor these accounts. IECM implemented detailed allocation policies and procedures designed to result in the fair and equitable allocation of investment opportunities among all Clients, subject to their respective investment objectives and restrictions. Further, prior to investing in an Intrinsic Edge Fund, each potential investor is provided with copies of the applicable Governing Documents, which include detailed information on performance-based fee calculation methodology and the risks associated with such performance-based fee.

### **Side-by-Side Management**

IECM concurrently manages multiple Clients pursuing the same or similar investment strategy. IECM's Clients vary with respect to underlying investor sophistication and financial markets experience. Additionally, Clients may have different risk tolerances, strategy preference and investment guidelines and restrictions. This can create potential conflicts of interest in the side-by-side management and trading of Client assets that have differing fee structures and assets under IECM management. Hence, some Clients could generate larger fees or make up a larger percentage of IECM's revenues. While this may create an incentive for IECM to favor certain Clients, IECM has adopted and implemented allocation policies and procedures that we believe are reasonably designed to ensure that all Clients are treated equitably. Please refer to Item 12 for more information on IECM's allocation policies and brokerage practices.

IECM manages each Client in accordance with such Client's specific objectives and restrictions. In fulfilling its obligation to deal equitably with all Clients, IECM does not manage all Clients the same at all times due to different Client investment objectives, restrictions, tax considerations or risk tolerance. Further, timing and amounts of investments may vary, to the extent that one Client may participate in ideas or offerings not deemed appropriate for other Clients. Thus, although IECM manages Clients with the same or similar investment objectives or manages Clients that trade in the same investments, the decisions relating to such Clients (and hence, the resulting performance) can vary among Clients. IECM has implemented policies and procedures to ensure that all Clients are treated fairly and equitably.

### **IECM Employee Participation in Intrinsic Edge Funds**

IECM employees have invested and may invest in the future in the Intrinsic Edge Funds and are not limited to the amount they invest. It is possible that employees prefer to invest in one strategy over another, which may give rise to potential conflicts of interest in that IECM could be motivated to favor strategies in which employees have larger investments. In addition, employees that invest in the Intrinsic Edge Funds do not incur management fees or performance-based fees. IECM believes any potential conflict of interest is mitigated by the positive alignment that results from IECM employees investing side-by-side with IECM investors, as well as by safeguards imposed



by IECM's Code of Ethics. Such safeguards include, but are not limited to, requiring employees to pre-clear personal securities transactions with the Chief Compliance Officer before effecting such transaction. Please refer to Item 11 for more information regarding IECM's Code of Ethics.

To the best of its knowledge, IECM discloses all identified potential conflicts of interest in its Brochure and/or Governing Documents.

## **ITEM 7: TYPES OF CLIENTS**

IECM Clients include the Intrinsic Edge Funds and Sub-Advised Accounts. The Intrinsic Edge Funds are organized as legal entities, privately offered to qualified investors and not subject to registration under the Investment Company Act of 1940, as amended. Investors must meet certain suitability and net worth requirements prior to being considered as a prospective investor in an Intrinsic Edge Fund. Minimum contributions for investment are generally \$500,000, however contributions less than \$500,000 have been in the past and may be in the future, accepted at the sole discretion of the Investment Manager, General Partner and/or the board of directors, as applicable. Investors in the Intrinsic Edge Funds consist of both U.S. and international investors and include high net worth individuals and institutional investors. Additionally, employees and other qualified persons associated or affiliated with IECM have invested and may invest in the Intrinsic Edge Funds.

The Sub-Advised Accounts are generally managed pursuant to a similar strategy as one or more of the Intrinsic Edge Funds, but may be subject to certain investment restrictions as detailed in the respective sub-advisory agreement for such Sub-Advised Account.

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

### **Investment Strategies**

The Intrinsic Edge Funds offer investors multiple strategies. The primary strategy employs a fundamentals-driven investment approach that focuses on both near-term and long-term economic prospects of the target companies. Although the Investment Manager anticipates that the current fundamental long/short strategy will remain the primary focus of the Intrinsic Edge Funds, the Intrinsic Edge Funds' investment mandate is flexible and is not in any way limited to any one or more strategies.

### **Fundamental Long/Short**

The fundamental long/short strategy involves purchasing securities that the Investment Manager believes are undervalued or selling short securities that the Investment Manager believes are overpriced. To determine whether a security is over-or under-valued, the Investment Manager typically conducts a bottom-up analysis of the business strategy, financial condition and industry

position of an issuer to arrive at what the Investment Manager believes to be the security's intrinsic value. The Investment Manager will typically establish a long or short position in securities whose trading values deviate from what IECM believes to be their intrinsic value. This strategy may also be expressed through the use of options, swaps or other derivative financial instruments.

### **Other Investment Techniques**

In some circumstances, the Investment Manager invests opportunistically and may not implement the below detailed investment research process owing to the time sensitive nature or other considerations that may influence the nature of the investments.

By way of example, but in no way by limitation, Intrinsic Edge Capture, L.P. ("Capture") maintains an opportunistic approach with a broad, flexible mandate that seeks to generate returns over a multi-year period. Capture may make investments in a variety of asset classes worldwide and across capital structures and may include investing in other managed strategies from time to time. The Fund may employ various strategies such as capital structure arbitrage, convertible arbitrage, equity volatility arbitrage, merger arbitrage, global macro strategies, and may invest in commodities, currencies, credit, structured credit, distressed debt, event-driven investments, special situations and real estate, including fee interests, leaseholds, mortgages or other real estate assets (or related financings) that the General Partner or Investment Manager, as the case may be, believes are undervalued or inefficiently managed or financed.

In addition, where possible, the Intrinsic Edge Funds will invest in securities offered through certain companies' initial public offerings or secondary offerings. In connection with such investments, the Investment Manager's investment research process described below is generally not applicable.

### **Investment Research Process**

The Investment Manager does not typically target companies within specific pre-defined industry groups or with a predetermined market capitalization. However, the Intrinsic Edge Funds' investment universe is generally comprised of profitable U.S. domiciled companies that can be valued through traditional fundamental metrics (*i.e.*, price/earnings, price/cash flow, price/book, or price/sales). Companies targeted by the Investment Manager for equity investments are generally growth-oriented, and thus the Investment Manager believes that underlying changes in share prices will often be more sensitive to reported earnings and expected growth, as opposed to cyclical or commodity-oriented companies that are more dependent on changes in macroeconomic factors. The Intrinsic Edge Funds usually focus on companies that tend to have communicative management teams that provide a higher degree of insight into their business operations and identifiable key drivers.

The Investment Manager typically searches for potential opportunities by screening a variety of companies through its proprietary information, databases and models. Earnings reports, pre-

releases and changes in analyst estimates for a company or its competitors will often prompt a scheduled call with the management teams of companies the Investment Manager expect to be impacted by the news.

Fundamental analysis typically includes meetings and discussions with targeted company management teams, competitors, suppliers and industry-specific analysts, as well as the analysis of income statements, balance sheets, cash flow statements and accounting policies. The process may also result in thematic investing, whereby the Funds invest in securities or financial instruments of companies operating within a given industry where the Investment Manager believes that an identified industry trend may be beneficial to such industry as a whole. In other instances, the Investment Manager may believe through its own research that a specific company is well-positioned within its industry to outperform relative to its peers, while another is expected to falter. Such a situation may result in a paired trade, with the Fund taking both a long and a short position in the same industry. The Investment Manager's process may result in the same equities (both long and short) being repeatedly revisited over time.

Essentially, through its research efforts, the Investment Manager attempts to identify companies that it believes are under-appreciated or over-appreciated in the marketplace and seeks out potential catalysts that may trigger an anticipated change in stock price.

Please refer to the Governing Documents for each Fund for additional information on the investment strategies and investment research process.

### **Sub-Advisory Services**

As discussed above, IECM serves as sub-adviser to a number of separate Sub-Advised Accounts. The strategies employed in such Sub-Advised Accounts are generally similar to those employed for the Intrinsic Edge Funds, subject to any differences in contractual investment objectives and/or restrictions negotiated with each Sub-Advised Account. Additionally, the registered investment company imposes certain fundamental investment restrictions that must be adhered to and are outlined in the registered investment company's prospectus.

### **Research Services**

As stated above, pursuant to services agreements, IECM provides research to other investment advisers. Please see Item 4 and Item 10 for additional information.

### **Risk of Loss**

An investment in a Client entails a significant degree of risk and, therefore, should be undertaken only by investors capable of evaluating the merits and risks of the Client and bearing the risks it represents, including the potential loss of their entire investment. Prospective and current investors should carefully consider the following risk factors in addition to the risks disclosed in the

Governing Documents, and should consult their own legal, tax and financial advisers in connection with a potential investment in a Client. The following list is not a complete enumeration of all risks involved in connection with an investment in a Client. There can be no assurance that the Client will be able to achieve its investment objectives or that investors will receive a return on their investment.

Risks of loss include, but are not limited to, the following:

**No Assurance of Investment Return; Risk of Loss.** The Clients' process of identifying and evaluating investment opportunities, managing such investments and realizing a significant return for its investors is difficult. An investor must be prepared for volatile performance as well as for the possibility of losing all or a substantial portion of their investment in the Client. Many organizations operated by persons of competence and integrity have been unable to make, manage and realize gains on such investments successfully. There is no assurance that a Client will be able to invest its capital on attractive terms or generate returns for its investors. An investment in a Client involves a high degree of risk, including the risk that the entire amount invested may be lost. Neither the General Partner nor the Investment Manager is in any respect responsible for the performance of a Client, except to the extent of each of the General Partner's and Investment Manager's obligation to act in good faith, without gross negligence and not to engage in willful misconduct.

**Reliance on Trading Model.** The trading strategy utilized by the Investment Manager relies, in part, on technical analysis to identify entry and exit points for Client investments. Technical analysis relies on the study of interrelationships between the U.S. and world markets, as well as actual daily, weekly and monthly price fluctuations, volume variations and changes in a number of market statistics, and utilizes computer software to measure the interrelationships among this data in order to predict future price movements. Technical analysis produces positive results only to the extent that the trends followed are actually present or discernible in a given market and that the trend which has been identified will continue into the future. No assurance can be given that the trading systems employed by the Investment Manager will be successful in a given set of market conditions, or that such trading strategy is the most successful available system.

**Past Performance of Client Not Indicative of Future Results.** The past investment performance of a Client may not be construed as an indication of the future results of an investment in the Client. A Client's investment program should be evaluated on the basis that there can be no assurance that the assessment of the Investment Manager of the short-term or long-term prospects of investments will prove accurate or that the Client will achieve its investment objectives. The performance of one Client will likely not be the same as that of any other Client.

**Highly Volatile Markets.** The prices of securities that a Client may hold or in which a Client may invest, can be highly volatile. Price movements of equity, debt and other securities in which a

Client's assets may be invested will be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of government, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The effect of such intervention is often heightened by a group of governments acting in concert. Moreover, war, political or economic crisis or other events may occur which can be highly disruptive to the markets, regardless of the strategies being employed. In addition, the value of a Client's portfolio may fluctuate as the general level of interest rates fluctuates. A Client is also subject to the risk of failure of any of the exchanges on which its positions trade or the failure of clearinghouses. Sustained cyclical market declines and periods of unusual market volatility make it more difficult to produce positive trading results, and there can be no assurance that a Client's strategies will be successful in such markets.

**Concentration of Investments.** A Client may at certain times hold a few, relatively large (in relation to its capital) positions in securities across particular sectors, with the result that a material loss could have a material adverse impact on the Client's capital. To the extent a Client's investments are concentrated in a single investment and/or issuer, industry and/or geographic region, the Client will be susceptible to a greater degree of risk. Such concentration may increase the volatility of the value of the Client's portfolio investments.

**Systemic Risk; Cyber Attacks & Technological Malfunctions.** Despite the security measures established by the Investment Manager and third parties to safeguard the information in IECM's systems, such systems may be breached due to attacks by hackers, employee error or malfeasance or other disruptions. Any such breach could compromise these systems and result in the theft or loss of assets or the theft, loss or public dissemination of the information stored therein. Moreover, although IECM's business continuity plan seeks to address local disruptions of telecommunications, internet access and other electronic communication methods (such as private data and voice circuits for electronic trading and broker communications), the Clients remain vulnerable to the direct and indirect effects of any broad-based disruptions. The Clients rely extensively on computer programs and systems (and often relies on new systems and technology) for various purposes including, without limitation trading, clearing and settling transactions, evaluating certain securities, monitoring its portfolio and generating risk management and other reports that are critical to the oversight of a Client's activities. Certain of the Clients' and the Investment Manager's operations interfaces will be dependent upon systems operated by third parties, including prime brokers, the third-party administrator, market counterparties and their sub-custodians and other service providers. Disruptions in a Client's operations or failure (even if only temporary or partial) may result in the Client incurring substantial costs or losses as the result of such disruption or cybersecurity breach. Any such breach could expose both the Client and the Investment Manager (which in turn may be indemnified by the Client) to civil liability, regulatory

inquiry and/or penalties, financial loss, the disruption of its business, liability to third parties and/or reputational damage. The service providers of the Investment Manager and the Clients are also subject to electronic information security threats. These threats could impact investors both because these service providers maintain sensitive information and because their systems can be misused by hackers to access the Investment Manager's systems. Investors could also be exposed to losses resulting from unauthorized use of their personal information. If there were a breach of a service provider's networks, sensitive information (including, relating to the transactions of the Clients and personally identifiable information of the investors) may be lost or improperly accessed, used or disclosed. Any of the foregoing failures or disruptions could have a material adverse effect on the Clients and the investors. Similar types of cybersecurity risks are also present for issuers of securities or other assets in which the Clients invest, which could affect their business and financial performance, resulting in material adverse consequences for such issuers, and causing the Clients' investment in such securities or other assets to lose value.

**Equity Securities.** The Clients will invest in preferred and common stocks and there is no limitation on the type, size or operating experience of the companies in which the Clients may invest. All of the Clients' investments in stocks will be subject to normal market risks, although investments in small capitalization companies will have more limited marketability than the securities of larger companies. While diversification among issuers may mitigate these risks, the Clients are not required to diversify their investments in equity securities, and investors must expect fluctuations in the value of equity securities held by a Client based on market conditions.

**Micro, Small and Mid-Cap Investing.** The Clients will invest a portion of their assets in stocks of small and/or unseasoned companies with micro, small and mid market capitalization, which have market capitalizations that are significantly less than the median market capitalization of companies listed on the New York Stock Exchange. While the Investment Manager believes smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification, and competitive strength of larger companies. In addition, the securities of companies with small capitalization may be traded only on over-the-counter markets or on regional securities exchanges. As a result, the securities of smaller companies may be subject to wider price fluctuations. When liquidating large positions in small companies, a Client may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small transactions over an extended period of time. Also, there may be less publicly available information about small companies or less market interest in their securities compared to larger companies, and it may take longer for the prices of these securities to reflect the full value of their issuers' earnings potential or assets.

**Investment in Unseasoned Issuers.** The Clients often invest a portion of their assets in the securities of "unseasoned issuers" which have been in operation for only a few years or less. The risks of investing in such securities are generally greater than risks associated with investment in the common stocks of more established companies.

**Short Selling.** The Clients' investment objectives and strategies involve seeking to profit from securities believed to be overvalued by entering into short sale positions, both directly and indirectly through the use of options and other derivative instruments. When a Client effects a short sale, it may be obligated to leave the proceeds thereof with the broker and also deposit with the broker an amount of cash or other securities (subject to requirements of applicable law) that is sufficient under any applicable margin or similar regulations to collateralize its obligation to replace the borrowed securities that have been sold. Short selling involves selling securities which are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which a Client engages in short sales will depend upon the investment strategy and opportunities presented to the Investment Manager. In certain cases, a short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Client of buying those securities to cover the short position. There can be no assurance that a Client will be able to maintain the ability to borrow securities sold short. In such cases, the Client can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Any gain resulting from a short sale will be decreased (and any loss will be increased) by the transaction costs incurred in connection with the short sale.

**Event Driven and Special Situations Investments.** The Clients may in the future engage in event driven investing. Event driven investing requires investors to make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a particular investment. If the event fails to occur or it does not have the effect foreseen, losses can result. For example, the adoption of new business strategies or completion of asset dispositions or debt reduction programs by a company may not be valued as highly by the market as the Investment Manager had anticipated, resulting in losses. In addition, a company may announce a plan of restructuring which promises to enhance value, but fail to implement it, which can result in losses. In liquidations and other forms of corporate reorganization, the risk exists that the reorganization either will be unsuccessful, will be delayed or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to a Client of the security in respect of which such distribution was made. The consummation of mergers and tender and exchange offers can be prevented or delayed by a variety of factors. Because of the inherently speculative nature of event driven investing, the results of a Client with respect to event driven and special situations investments, if any, may be expected to fluctuate from period to period. Accordingly, investors should understand that the results of a particular period may not necessarily be indicative of results that may be expected in future periods.

The Clients may in the future also invest in, or lend to, companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation (which may include debtor-in-possession financing), there exists the risk that the contemplated transaction either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Client of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Client may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies and special situations in which a Client may invest, there is a potential risk of loss by the Client of its entire investment in such companies.

**Interest Rate Risk.** The Clients' investments in debt securities will generally be subject to interest rate risk. Generally, the value of debt securities will change inversely with changes in interest rates. As interest rates rise, the market value of debt securities tends to decrease. Conversely, as interest rates fall, the market value of debt securities tends to increase. This risk will be greater for long-term securities than for short-term securities. In addition, equity securities can be adversely affected by changes in interest rates. While the Clients will from time to time seek to hedge such risks (including through long or short investments in treasury securities or derivative instruments), there is no assurance that such measures, even if implemented, will be effective.

**Valuation of Some Investments.** The Clients may not be able to liquidate some of the securities owned or otherwise held by it that are less liquid if the need were to arise and rapid sales of securities could depress their market value, reducing a Client's profits, or increasing a Client's losses, in the securities. In addition, in certain circumstances there may be no market for a particular security at any price.

While the Investment Manager will typically value a Client's portfolio based on pricing information obtained from independent sources, it may also rely on pricing information developed internally. Independent pricing information may not at times be available with respect to certain of a Client's assets.

Pricing inaccuracies could cause the net asset value on which the Investment Manager bases various decisions (including determining capital contributions and capital withdrawal amounts) to differ significantly from the value a Client can ultimately realize on its investments. In addition, inaccuracies in valuation could affect a Client's portfolio management activities and, as a result, cause the Client to experience significant losses. The Investment Manager will use whatever criteria and techniques they, in their discretion, consider appropriate under all the circumstances. The value the Investment Manager assigns to securities, illiquid securities and large blocks of securities for purposes of determining net asset value may differ from the value a Client (or an investor who receives in-kind securities upon a capital withdrawal) is ultimately able to realize



upon the sale of those securities. The limited liquidity of a Client's investments may have an impact on an investor's ability to withdraw capital or to receive capital withdrawal proceeds. It could also cause a Client to elect to pay capital withdrawal proceeds in the form of securities, some or all of which may be illiquid. If that were to occur, the withdrawing investor might not be able to realize the value assigned to those securities at the time they were distributed to such investor.

**Reliance on Corporate Management and Financial Reporting.** Many of the investment strategies implemented by a Client rely on the financial information made available by the issuers in which it invests. The Investment Manager may not have the ability to independently verify the financial information disseminated by the issuers in which a Client invests and will consequently be dependent upon the integrity of both the management of these issuers and the financial reporting process in general. A Client may incur material losses as a result of corporate mismanagement, fraud and accounting irregularities.

**Limited Liquidity.** Certain of the Clients' investments may be or become illiquid and involve a high degree of business and financial risk that could result in substantial losses. It may not always be possible to execute a buy or sell order at the desired price or to close out an open position, either due to market conditions, daily price fluctuation limits or speculative position limits.

**Derivatives Transactions Generally.** The Clients use derivatives in their investment program for speculative and hedging purposes, including swaps, futures, options, spot and forward contracts. The use of such instruments entails various risks, including the liquidity and leverage risks described herein. Derivative instruments involve a variety of material risks, including, in some cases, extremely high embedded leverage. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order either to realize gains or to limit losses. The pricing relationships between derivatives and the instruments underlying them may not correlate with historical patterns, resulting in unexpected losses. Derivative products are highly specialized instruments that require investment techniques and risk analyses different from those associated with other types of securities, and therefore also present certain operational risks.

**Options.** The prices of options are highly volatile and are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of options and swap agreements also depends upon the price of the securities underlying them. In addition, a Client's assets are also subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties.

In general, without taking into account other positions or transactions a Client may enter into, the principal risks involved in options trading can be described as follows: when a Client buys an option, a decrease (or inadequate increase) in the price of the underlying security in the case of a

call, or an increase (or inadequate decrease) in the price of the underlying security in the case of a put, could result in a total loss of the Client's investment in the option (including commissions).

When a Client sells (writes) an option, the risk can be substantially greater than when it buys an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price. The risk is theoretically unlimited unless the option is "covered." If it is covered, the Client would forego the opportunity for profit on the underlying security should the market price of the security rise above the exercise price. If the price of the underlying security were to drop below the exercise price, the premium received on the option (after transaction costs) would provide profit that would reduce or offset any loss the Client might suffer as a result of owning the security.

**Use of Leverage and Financing.** Certain Clients have the ability to leverage their capital because the General Partner or the Investment Manager, as the case may be, believes that the use of leverage may enable such Client to achieve a higher rate of return. Accordingly, the Client may pledge its securities and other assets in order to borrow additional funds for investment and other purposes. The Client will frequently borrow funds and enter into agreements in connection therewith and also leverages its investment return with options, short sales, swaps, forwards, credit derivatives and other derivative instruments. The amount of borrowings which a Client may have outstanding at any time may be substantial in relation to its capital.

While leverage presents opportunities for increasing a Client's total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment by a Client would be magnified to the extent the Client is leveraged. The cumulative effect of the use of leverage by a Client in a market that moves adversely to the Client's investments could result in a substantial loss to the Client which would be greater than if the Client were not leveraged. The use of leverage may create interest expenses for a Client, which can exceed the investment return from the use of borrowed funds. To the extent the investment return derived from assets purchased with borrowed funds exceeds the interest a Client will have to pay, the Client's investment return will be greater than if leverage were not used. Conversely, if the investment return from the assets acquired with borrowed funds is not sufficient to cover the cost of leveraging, the investment return of the Client will be less than if leverage were not used.

**High Turnover and Transactions Costs.** The turnover rate of a Client's investment portfolio is often significant, potentially involving substantial brokerage commissions and fees and other transactions costs. In particular, many of the Clients' investments, including those that are not readily marketable, may involve higher bid-ask spreads than investments that are exchange-traded.

**Execution Risks; Trade Errors.** The Investment Manager's trading activity for the Clients will involve multiple instruments, multiple brokers and counterparties and multiple strategies. Further, the execution of the trading and investment strategies employed by the Investment Manager for the Clients may require a high volume of trades, complex trades, difficult to execute trades, use of

negotiated terms with counterparties such as in the use of derivatives, and the execution of trades involving less common or novel instruments. However, in light of the foregoing, some slippage, trade errors and miscommunications with brokers and counterparties may occur and result in losses to a Client. The Investment Manager will endeavor to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. To the extent an error is caused by a counterparty, such as a broker, the Investment Manager will attempt to recover any loss associated with such error from such counterparty. Any costs or losses resulting from trade errors or order errors may be borne by the Client unless such errors are due to actions by the General Partner or the Investment Manager for which the General Partner or the Investment Manager would not be entitled to indemnification pursuant to the respective Client Governing Documents.

#### **ITEM 9: DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that are material to an investor's evaluation of IECM's advisory business or the integrity of IECM's management.

IECM does not have any such legal or disciplinary events to report.

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

Neither IECM, nor any of our management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither IECM, nor any of our management persons are registered, or have an application pending to register, as a futures commission merchant, commodity trader, or commodity adviser.

Mr. Coe is the Managing Member of the General Partner and IECM, as well as an investment adviser representative of IECM. Mr. Coe is also the equity owner of CCM and receives a portion of the profits CCM generates including distributions in accordance with the terms of CCM's operating agreement. These different roles each have the potential to require an incidental investment of time and effort, which creates a conflict of interest as the duties to CCM and the General Partner have the potential to take time away from Mr. Coe's duties to IECM. Mr. Coe divides and dedicates his time as he deems necessary and appropriate to act fairly and in the best interests of IECM Clients and to meet the expectations of each role.

As stated above, IECM provides research services to other investment advisers. This research is the same used by IECM to manage its Clients, which creates certain conflicts of interest. For example, while these other investment advisers have full discretion over whether or not and when to use the research provided by IECM to make investments in their accounts, there could be instances when these firms are trading in the same securities, at the same time, as IECM Clients

due to the research provided. IECM does not believe that this activity will cause any harm to our Clients since the provided research generally covers only publicly traded securities and IECM will likely have commenced or possibly completed trading in such securities before other advisory firms commence trading, if at all.

Mr. Coe does not have any investment advisory role, nor does he serve in any portfolio management or research analyst capacity at other investment advisers. Further, he is not involved in the day-to-day decisions around the details of research provided to CCM and the other investment advisory firm. Consequently, and for the avoidance of doubt, the trading activities of CCM are separate and distinct from IECM.

#### **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Rule 204A-1 of the Advisers Act imposes a fiduciary duty on all investment advisers to act in the best interest of its clients. IECM's Clients entrust us to use the highest standards of integrity when managing their assets. Our fiduciary duty requires all employees to act with integrity in all of our dealings. To this end, IECM has adopted a Code of Ethics which all of our employees are required to adhere to. The Code of Ethics clearly establishes parameters that place Client interests ahead of the Firm's interests and maintain compliance with all applicable federal securities laws.

IECM's Code of Ethics covers fiduciary obligations and ethical principles, personal securities transactions and reporting procedures, IECM's insider trading policy and procedures, conflicts of interest, recordkeeping requirements, outside business activities, standards of professional conduct, restrictions on accepting and giving of gifts, among other items. Employees found to be in violation of the Code of Ethics may be subject to remedial actions, including, but not limited to, suspension, disgorgement of profits, fines or dismissal. Employees are required to immediately report any observed or suspected potential violation or violation of the Code of Ethics of which he or she becomes aware to the Chief Compliance Officer.

IECM employees have invested and may invest in the future in the Intrinsic Edge Funds and are not limited to the amount they invest. Please refer to Item 6 for additional information.

IECM's employees are allowed, under certain circumstances, to invest personally in securities that are purchased for Clients and may own securities of the issuers whose securities are also purchased for Clients. To address this conflict of interest, IECM's Code of Ethics outlines the fiduciary duty that the Firm and its employees have regarding placing Clients' interests first. Through the Code of Ethics, IECM has adopted personal securities transaction policies ("PST policies") for all of its employees. The PST policies are designed to minimize, if not eliminate, situations where certain investment ideas could potentially create a conflict between the interests of employees and those of our Clients. IECM also requires certain trades of its employees as well as those of their

immediate family, to be pre-approved by IECM's Chief Compliance Officer to further our commitment to keep Client interests first. In addition, employee personal brokerage account statements are reviewed on a quarterly basis to ensure compliance with these PST policies. The Code of Ethics also contains procedures for reporting violations and is distributed to employees for review initially upon hire, annually thereafter, and any time a material amendment is made.

IECM will provide a copy of the Code of Ethics to any Client, current investor or qualified prospective investor upon request.

## **ITEM 12: BROKERAGE PRACTICES**

The Intrinsic Edge Funds receive clearing and custody services through Wells Fargo Securities LLC and/or Citigroup Global Capital Markets Inc. IECM uses various brokers to execute trades on behalf of Clients, provide internally-generated and/or third-party research, introductions to potential investors and other products and services.

Certain securities, such as over-the-counter stocks and fixed-income securities are primarily traded in dealer markets. In such markets, securities are directly purchased from or sold to a financial institution acting as a dealer or principal. Dealers executing principal trades typically include a markup or a markdown and/or spread in the net price at which transactions are executed.

IECM has entered into certain soft dollar arrangements in accordance with the provisions of Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) provides for certain "safe harbors" and allows investment advisers to use client commissions to pay for brokerage and research services under certain circumstances without breaching their fiduciary duties to clients. This practice is commonly referred to as "soft dollars." Brokerage and research services can include, among other things, effecting securities transactions and performing services incidental thereto (such as clearance, settlement and custody) and providing research information regarding the broader economy, specific industries, certain sectors of securities, individual companies, statistical information, taxation, political developments, legal developments, technical market action, pricing and appraisal services, credit analysis, risk analysis and performance analysis. Such research information can be received in the form of written reports, telephone conversations, personal meetings with securities analysts and/or individual company management and through attending industry conferences. The research services provided by a broker may be proprietary (*i.e.*, provided by the broker providing the execution services) and/or provided by a third party (*i.e.*, originates from a party independent from the broker providing the execution services).

In accordance with Section 28(e), IECM may cause Clients to pay brokerage commissions that are in excess of commissions that another broker may have charged for effecting the same transaction, so long as IECM makes a good faith determination that the amount of commissions paid are reasonable in relation to the value of the brokerage and research services received. This must be

viewed in terms of either the specific transactions or an investment adviser's overall responsibility to the accounts for which it exercises investment discretion.

Additionally, Section 28(e) permits advisers to use the research services provided by brokers to service any of the adviser's clients, including clients that did not participate in payment of these commissions to the brokers providing these services. Therefore, in some instances, certain IECM Clients may pay commissions for services from which they may not receive any direct benefit and, in turn, other IECM Clients may benefit from research services even though they did not pay commissions for the benefits received.

IECM receives investment research, products and services from Westminster Research, Inc. In 2018, IECM paid Westminster Research, Inc. approximately \$288,000 in commission credits for the following investment research, products and/or services:

- Bloomberg Finance L.P.
- Eze Castle Software
- Dealogic, LLC
- FactSet Research Systems Inc.
- Institutional Shareholder Services
- NYSE Market Inc.
- Options Price Reporting Authority
- The Fly on the Wall
- Novus Partners, Inc.
- 7Park Data, Inc.

In cases where IECM receives both research and non-research services (*e.g.*, administrative or accounting services, etc.) from the overall scope of services provided by the brokers, we make a good faith estimate of the non-research portion of the services received and pay hard dollars (an actual payment rather than commissions) for the non-research portion. In making good faith allocations between research services and non-research services, a conflict of interest may exist, as it is based on our estimation of the costs of such services and benefits between those that primarily benefit IECM and those that primarily benefit our Clients. In addition, the receipt of brokerage and research services from any broker executing transactions for our Clients may be considered to be the receipt of an economic benefit by IECM, and although customary, may be deemed to create a conflict of interest between IECM and our Clients. To address and/or mitigate the conflicts surrounding soft dollar arrangements, IECM has adopted written policies and procedures regarding trading, brokerage selection, and soft dollar arrangements. Additionally, IECM prepares an annual budget to assist in the proper utilization of its soft dollars and performs periodic committee reviews of our soft dollar use to help ensure they are in the best interests of our Clients.

On all securities transactions, IECM seeks to achieve best execution from the executing brokers. While best execution is not defined in the securities laws, IECM selects brokers that we believe will provide execution in a manner such that the Client's total cost or proceeds in each transaction is most favorable under the circumstances. In seeking the best available execution for our Clients, we generally consider a variety of factors, both quantitative and qualitative, and the brokers that IECM determines to be most likely to provide the most favorable outcome for the Client may not have the lowest available commission costs.

Portfolio transactions are allocated to brokers on the basis of obtaining the best overall terms available and most favorable outcome for the Client. IECM considers a variety of factors, including, but not limited to: such broker's ability to execute the transaction; the financial strength, integrity and stability of the broker; the quality, comprehensiveness and frequency of available research and related services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying the other selection criteria utilized by IECM in its capacity as investment manager. Portfolio transactions are not directed on the basis of receiving investor referrals. IECM has established a best execution committee comprised of senior management employees that meet on a periodic basis to review its arrangements with brokers and evaluate each broker's performance.

In the normal course of business, we do not recommend, request nor require Clients to direct transactions to be executed through a specified broker (often referred to as directed brokerage). In the event a Client would direct us to execute a trade at a different broker, IECM is not responsible for the quality of execution obtained by such broker, nor for the costs involved in doing so and accepts no responsibility for best execution in such instances. Sub-Advised Accounts are permitted to select their own broker.

An important tool in our efforts to avoid the risk of favoring one Client over another is our ability to aggregate trades. This allows us to ensure that all Clients in comparable strategies, participating in an aggregated trade in the same security on same day receive equal treatment. We only aggregate trades when we believe it is in the best interests of our Clients to do so. IECM has implemented policies and procedures to perform periodic trade reviews to further validate trade executions. The following summarizes IECM's aggregation policy:

- IECM will only aggregate Clients' trades when it believes that such aggregations are consistent with our best execution policy;
- IECM will strive to ensure that no single Client participating in the aggregated trade would be favored over any other participating Client;
- Each Client that participates in an aggregated trade will receive the average weighted executed share price obtained for that security in the aggregated trade;
- All trade allocations will be pre-determined in writing; and

- Any exceptions will be discussed with the Chief Compliance Officer to review the relevant facts and circumstances.

IECM realizes that trade aggregation is an important tool in ensuring all Client orders receive equal treatment irrespective of account size or fees paid. Trade aggregation increases efficiency by reducing the number of trading platforms used, mitigating the operational burden and reducing the overall costs involved in trading. In order to ensure that the practice of trade aggregation benefits all Clients involved, IECM considers the following factors to determine which trades should be aggregated: additional commissions that would be incurred by Clients for added services that may or may not benefit a particular Client; additional costs associated with the delivery and settlement of trades executed through brokers (other than the account custodian); quality of executions related to specific securities and order types; and the specific needs of each Client or group of Clients.

Regardless of existing differences in overall investment objectives and other factors, IECM believes that aggregating trades is often in the best interest of all of Clients. A periodic review of these trades is performed to determine if any patterns arise that may suggest any form of preferential treatment in the handling of orders.

From time to time, IECM participates in initial public offerings and secondary offerings (“IPO/SO”) for Clients. However, due to certain factors, such as differing Client objectives, restrictions and timing constraints, not all Clients will participate in every IPO/SO. For example, Clients that have a more speculative or aggressive investment strategy usually participate in more IPO/SOs than Clients that have restrictive strategies. The Chief Investment Officer and/or portfolio manager determine which Clients are suitable for IPO/SO investment on a case by case basis and when more than one Client participates, the shares are allocated on a pro-rata basis, unless deemed to be in the best interest of all the participating Clients to allocate otherwise. It is IECM’s intent to allocate IPO/SO shares among Clients participating in the offering in an equitable manner so as not to give one Client preference over another.

### **ITEM 13: REVIEW OF ACCOUNTS**

Client portfolios are periodically reviewed by IECM’s portfolio managers and research group at the strategy level, portfolio level and securities level to best align each portfolio with the Client’s investment objectives and restrictions. These reviews are risk-based and encompass multiple criteria including, but not limited to, liquidity, market exposure, concentration, specific company research, company announcements and earnings, as well as general market events that may affect the Client portfolios. Any items that may require attention are promptly conveyed to the appropriate portfolio manager.



Investors in the Clients receive estimated monthly performance updates and yearly audited financial statements for the Intrinsic Edge Funds.

On a regular basis, IECM's Chief Compliance Officer reviews records of trades placed for the Clients. The Chief Compliance Officer also conducts periodic reviews of Client portfolios in order to monitor adherence to internal investment guidelines, Client mandated or contractual guidelines and regulatory requirements.

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

IECM maintains arrangements with First Allied Securities, Inc., World Equity Group, Inc., David A. Noyes, LLC, Frontier Solutions, LLC, and Cetera Advisors, LLC (collectively referred to as "Third-Party Marketers"). IECM's Third-Party Marketers are unaffiliated broker-dealers that have been contracted to solicit qualified investors to invest in the Intrinsic Edge Funds. IECM's arrangements with Third-Party Marketers comply with the requirements of Rule 206(4)-3 of the Advisers Act and relevant SEC guidance. Depending on the arrangement, Third-Party Marketers are compensated a set percentage of the Intrinsic Edge Fund management fees and/or performance-based fees paid or allocated to IECM for each investor in the Intrinsic Edge Fund referred by the Third-Party Marketer. The fees paid to such Third-Party Marketer are paid by IECM and are not borne by Clients or investors in the Clients.

#### **ITEM 15: CUSTODY**

IECM does not maintain physical custody of any Client assets.

While IECM places all Intrinsic Edge Funds' assets in custody with independent, unaffiliated qualified custodians, IECM is deemed to have custody of the assets held by the Intrinsic Edge Funds because of the breadth of authority delegated to it under the terms of the Governing Documents. Further, any movement of assets from a Fund to an account in a different name must be approved by such Fund's administrator. The Intrinsic Edge Funds are audited annually, and investors receive annual financial statements within 120 days of the Intrinsic Edge Funds' fiscal year end. Investors should closely review such financial statements. The Intrinsic Edge Fund investors also receive account statements from the relevant Fund's administrator on a monthly basis. Investors should carefully review all account statements and other communications they receive from the Fund's administrator.

IECM does not have custody of the Sub-Advised Account assets. Sub-Advised Accounts must make their own arrangements for custody of securities in such accounts.

## **ITEM 16: INVESTMENT DISCRETION**

Pursuant to each Fund's Governing Documents, the General Partner or the board of directors, as applicable, has delegated authority to IECM as investment manager with full discretion and authority with respect to the day-to-day management of the assets and liabilities in the Intrinsic Edge Funds and to invest the assets in a manner consistent with the investment objectives and restrictions specified by each Intrinsic Edge Fund.

Sub-Advised Accounts grant authority to IECM to manage such assets on a discretionary basis through sub-advisory agreements signed by each party at the outset of an advisory relationship.

IECM does not have discretion over the TAMP accounts, as described in Item 4.

## **ITEM 17: VOTING CLIENT SECURITIES**

IECM's general policy is to not vote proxies on behalf of Clients. When IECM is not responsible for voting proxies, the respective custodian is instructed to forward all relevant proxy related materials to the Client directly. For certain Intrinsic Edge Funds that have delegated proxy voting authority to IECM, IECM seeks to vote proxies in accordance with IECM's written policies and procedures in an effort to ensure that votes are cast in the best interests of each Fund, in accordance with such Fund's stated objectives, and that proper documentation is maintained relating to how proxies were voted.

IECM utilizes a third-party service provider to assist in monitoring and voting the proxies we are required to vote. The service provider has written proxy voting guidelines, which have been reviewed and approved by IECM. IECM oversees the service provider to ensure that voting is performed in a manner consistent with the best interests of each Fund.

Our policies outline that if at any time the responsible voting parties become aware of any potential or actual conflict of interest relating to a proxy proposal, they are required to promptly report such conflict to IECM's Chief Compliance Officer. Conflicts of interests are addressed in various ways depending on the type, potential impact, and materiality of such conflict. Generally, where the proxy voting guidelines outline the voting position, as either "for" or "against" such proxy proposal, voting will be in accordance with the proxy voting guidelines. Where the guidelines outline the voting position to be determined on a "case-by-case" basis, or such proposal is not listed in the guidelines, then IECM will generally vote based on Client direction. Exceptions to our proxy voting policies and procedures may only be made by the Chief Compliance Officer or Mr. Coe.

Investors may request a copy of IECM's current proxy voting policy and/or information on how IECM voted any previous proxies for their account by either calling or writing to us (please refer to Item 1 for contact information).

#### **ITEM 18: FINANCIAL INFORMATION**

IECM does not require or solicit fees six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. IECM does not have any financial condition that impairs its ability to meet contractual and fiduciary commitments to Clients and has not been the subject of any bankruptcy petitions.