

**PART 2A OF FORM ADV: FIRM BROCHURE**

**SHELTER HARBOR ADVISORS, LP**

**92 Hopmeadow St.  
Weatogue, CT 06089**

**JUNE 2019**

**This brochure provides information about the qualifications and business practices of Shelter Harbor Advisors, LP (“Shelter Harbor” or the “Firm”). If you have any questions about the contents of this brochure, please contact us via telephone at (860) 325-5030 or [phark@shelterharbor.net](mailto:phark@shelterharbor.net). 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.**

**For “Registered Investment Advisers”: Any reference to Shelter Harbor as a registered investment adviser does not imply a certain level of skill or training.**

**Additional information about Shelter Harbor also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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***Item 2: Material Changes***

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Shelter Harbor is providing this Brochure as part of its initial registration as an investment adviser. In the future, this section will discuss any material changes made to the document since the last annual update of this Brochure.

The Firm will ensure its Funds (as defined below) receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year. The Firm may further provide other ongoing disclosure information about material changes as necessary.

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**Item 4: Advisory Business**

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**Item 4.A.**

Shelter Harbor Advisors, LP (“**Shelter Harbor**” or the “**Firm**”) is a Delaware limited partnership formed in August 2016 with its principal place of business located in Weatogue, CT. The principal owner of Shelter Harbor is Mr. Peter Hark (the “**Principal**”), who also has the overall responsibility for the day-to-day supervision and management of Shelter Harbor’s business.

**Item 4.B.**

At this time, Shelter Harbor provides investment advice as a sub-adviser to two private funds that operate under the Section 3(c)(7) exemption provided under the Investment Company Act of 1940, as amended (each a “**Fund**” and collectively, the “**Funds**” or “**Private Funds**”). Shelter Harbor provides its services to the Private Funds in accordance with an investment management agreement between Shelter Harbor and the Private Funds. In the future, Shelter Harbor may provide advisory services to managed accounts or additional unaffiliated private funds or may develop and sponsor one or more private investment funds.

Shelter Harbor’s investment objective is to realize maximum capital appreciation for its clients through a relative value, fundamental equity long-short strategy with a focus on the utilities sector.

Shelter Harbor does not limit its advisory services to only certain types of investments.

**Item 4.C.**

The Firm’s investment management and advisory services to the Funds are provided pursuant to the agreed upon terms of the investment management agreement (“**IMA**”) with the Funds. The Firm tailors its advisory services to the individual needs of its Funds and each advisory agreement was separately negotiated and designed to suit the needs of each particular Fund and its respective investment guidelines. Such advisory agreements may impose restrictions on Shelter Harbor’s ability to invest in certain securities or types of securities. Additional portfolio restrictions may also include exposure limits, concentration limits, geographical limits and liquidity limits.

**Item 4.D.**

Shelter Harbor does not participate in a wrap fee program.

**Item 4.E.**

As of December 31, 2018, Shelter Harbor had approximately \$202,593,701 in regulatory assets under management on a discretionary basis. Shelter Harbor does not manage any advisory client assets on a non-discretionary basis.

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**Item 5: Fees and Compensation**

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**Item 5.A.**

Shelter Harbor is not paid a management fee. The Firm is compensated by each Fund through a pre-negotiated monthly compensation draw. Additionally, the Funds will pay to Shelter Harbor an annual performance fee based on the net appreciation of the assets held by the client accounts. Please see Item 6 below for further detail.

**Item 5.B.**

Fees are not automatically deducted from the Funds. Shelter Harbor bills the applicable Fund on a monthly basis for fees incurred. The Firm is compensated pursuant to advisory agreements that were individually negotiated with each Fund.

**Item 5.C.**

The Funds pay for all costs and expenses directly related to infrastructure, data and investment transactions, including brokerage commissions, interest expenses and custody and transfer fees. The Funds would also be responsible for fees and expenses directly related to any investment products utilized by Shelter Harbor such as Exchange Traded Funds (“ETFs”). Please see the disclosures in Item 12 as it relates to Shelter Harbor’s brokerage activities.

**Item 5.D.**

Any fees and expense draws are paid in arrears.

**Item 5.E.**

Shelter Harbor and its supervised persons are not compensated by the Funds for the sale of securities or other investment products.

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

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Shelter Harbor charges an annual performance-based fee (the “**Performance-Based Fee**”). The Performance-Based Fee is payable at the beginning of each established period (the “**Performance Period**”) based upon performance in the prior Performance Period and is equal to a negotiated percentage of the Net Profits (as defined below) of each client account for the period. The Performance-Based Fee is subject to a “high water mark” so that Shelter Harbor is only entitled to receive the Performance-Based Fee from any client if profits for that Performance Period are sufficient to recoup all prior trading losses in the client’s account, thus surpassing the previous “high water mark.” For any Performance Period in which the client account has a “Net Loss,” such amount is carried forward and no Performance-Based Fee is payable with respect to the client account unless and until the Net Losses of such account are recovered by subsequent Net Profits. If a client makes a withdrawal during a Performance Period, Shelter Harbor calculates the Net Profits on a prorated basis and charges the Performance-Based Fee on the date of withdrawal.

In general and subject to the specific definitions in any client's particular investment management agreement, the term "**Net Profits**" means the positive amount equal to, and the term "**Net Losses**" means the negative amount equal to: (a) the Net Asset Value (defined below) of the client account as of the last business day of the Performance Period (after reduction for any management fee payable and before reduction for any Performance-Based Fee payable as of the end of such calendar year), plus (b) the value of all withdrawals made during such calendar year, minus (c) the Net Asset Value of the client account as of the beginning of the calendar year, and minus (d) the value of all additional capital contributions to the Fund made during such calendar year. The term "**Net Asset Value**" means the total of the fair market values of each of the assets in a Fund minus the total of the fair market values of each of the liabilities of the client account as of such date based upon the valuation. The term "**valuation**" means the fair market value of any security as provided in the applicable account brokerage statement as generated by the custodian of the client account.

Although Shelter Harbor has the authority to manage the accounts of other clients and to establish one or more private investment funds, it does not currently manage any client accounts other than the Funds. If additional clients were to be accepted in the future, they would also be subject to paying a Performance-Based Fee. Accordingly, Shelter Harbor is not currently subject to any conflict of interest that could otherwise be present if some clients were charged a Performance-Based Fee and others were not. In the event Shelter Harbor were to perform advisory services for other advisory clients, it would perform its responsibilities in accordance with its fiduciary duties and not allow any potential conflicts to influence that performance. Allocations between accounts would be allocated on a pro rata basis based on assets under management or in some other manner as Shelter Harbor would determine to be fair and equitable under the circumstances.

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

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Shelter Harbor provides portfolio advisory services to the Funds based on its investment objectives and not based on the criteria or investment objective of any individual investor in the Funds. In the future, Shelter Harbor may provide advisory services to managed accounts or additional privately offered investment funds.

Currently, Shelter Harbor has no established minimum account size for clients or client accounts, although its advisory clients would generally be sophisticated institutional investors, high net worth individuals or family offices.

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

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##### **Item 8.A.**

The Firm's principal investment strategy is to seek to generate superior risk-adjusted returns by employing a relative value, fundamental equity long-short strategy with a focus on the utilities sector. The Adviser intends on using fundamental analysis of factors such as each issuer's financial condition and industry positions, as well as market and economic conditions, to select its investments. The Firm will pursue its investment objectives across all related utility sectors (including, but not limited to, electric, gas and water utilities and independent power companies), utility service and fuel providers, utility equipment

manufacturers (including, but not limited to, renewable and energy technology companies) and other related sectors.

Investing in securities and other instruments involves risk of loss that clients and investors should be prepared to bear, including but not limited to, those described below. The management style offered by the Firm is not intended as a complete investment program, and may not be suitable for all investors. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of such an investment. No guarantee or representation is made that the Firm will achieve its investment objectives or that there will be any return of capital, and investment results may vary substantially on monthly, quarterly or annual basis.

Although the Firm seeks to reduce the risks associated with the Funds' investments, prospective investors should consider carefully, among other factors, the risks described below. Such risk factors are not meant to be an exhaustive listing of all potential risks associated with investments in the Funds.

#### **Item 8.B.**

The following is a brief summary of certain significant risks associated with the Firm's investment strategies:

General Investment and Trading Risks. All securities investments present a risk of loss of capital. Volatile financial markets increase that risk. If the Firm's evaluation of an investment opportunity should prove incorrect, the Funds could experience losses as a result of a decline in the market value of securities in which the Funds holds a long position or an increase in the value of securities in which the Funds holds a short position. The Funds' investment program may use such investment techniques as margin transactions, short sales and leverage, which practices can involve substantial volatility and can, in certain circumstances, substantially increase the adverse impact to which the Funds may be subject. The risk management techniques that may be used by the Firm do not provide any assurance that the Funds will not be exposed to a risk of significant investment losses. No guarantee or representation is made that the Funds' investment program will be successful, that the Funds will achieve its targeted returns or that there will be any return of capital invested to investors in the Funds. In addition, investment results may vary substantially over time.

Investment Judgment. The profitability of a significant portion of the Funds' investment program depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that the Firm will be able to predict these price movements accurately.

Nature of Investments. The Firm has broad discretion in making investments for Funds. Investments generally consist of equity securities, equity-related instruments and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that the Firm will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the applicable Fund's activities and the value of its investments. No guarantee or representation is made that a Fund's investment objective will be achieved.

General Economic Conditions. The success of the Funds' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Funds' investments), trade barriers, currency exchange controls and national and international political circumstances (including wars, terrorist acts and

security operations). These factors may affect the level and volatility of the prices and liquidity of the Funds' investments and could impair the Funds' profitability or result in losses. The Funds could incur material losses even if the Firm reacts quickly to difficult market conditions, and there can be no assurance that the Funds will not suffer material losses and other adverse effects from broad and rapid changes in market conditions in the future. Investors should realize that markets for the financial instruments in which the Funds will seek to invest can correlate strongly with each other at times or in ways that are difficult for the Firm to predict. Even a well-analyzed approach may not protect the Funds from significant losses under certain market conditions.

Business and Regulatory Risks of Alternative Investment Funds. The financial services industry generally, and the activities of alternative investment funds and their managers in particular, have been subject to intense and increasing regulatory scrutiny. Such scrutiny may increase the Funds exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight may also impose additional administrative burdens on the Firm, including, without limitation, responding to examinations and investigations, implementing new policies and procedures and complying with recordkeeping and reporting obligations. Such burdens may divert such parties' time, attention and resources from portfolio management activities.

Securities, futures and credit markets are subject to comprehensive statutes, regulations and other requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions. Additionally, the regulation of the markets in which the Clients may participate is increasing and is subject to modification by government and judicial actions. The effects of any changes in law or interpretations of existing laws on the Clients could be substantial and adverse.

With the passage of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), the U.S. government has undertaken extensive rulemaking and regulatory changes that affect private fund managers, the funds that they manage and the financial industry as a whole. Under the Dodd-Frank Act, the Commodity Futures Trading Commission ("CFTC") and the SEC have mandated (and will mandate) recordkeeping, reporting, central clearing and mandatory trading on electronic facilities, which add costs to the legal, operational and compliance obligations of the Firm and the Funds and increase the amount of time that the Firm spends on non-investment-related activities. The Dodd-Frank Act affects a broad range of market participants with whom the Funds interacts or may interact, including banks, non-bank financial institutions, rating agencies, mortgage brokers, credit unions, insurance companies, payday lenders and broker-dealers, and may change the way in which the Firm conducts business with counterparties. It may take years to understand the impact of the Dodd-Frank Act on the financial industry as a whole, and, therefore, the continued uncertainty may make markets more volatile and make it difficult for the Firm to execute the investment strategy of its Funds. The Dodd-Frank Act also created the Financial Stability Oversight Council (the "Council") that is charged with monitoring and mitigating systemic risk. As part of this responsibility, the Council will have the authority to subject banks and other financial entities to regulation by the U.S. Federal Reserve Board, which could limit the amount of risk-taking engaged in by the Funds. The Council also may require that the Firm or the Funds respond to queries in order to provide the Council with necessary information in order for it to monitor systemic risk.

The regulatory environment for alternative investment funds is evolving, and changes in the regulation of private funds and their investing activities may adversely affect the ability of the Funds to pursue its investment program, the value of the investments held by the Funds and the Funds' ability to obtain leverage. There has been an increase in governmental, as well as self-regulatory, scrutiny of the



alternative investment industry in general. It is impossible to predict whether changes in regulations may occur, but any regulations that restrict the Funds' activities could have a material adverse effect on the Funds' investments. In addition, such regulatory scrutiny may increase the Clients' exposure to potential liabilities and to legal, compliance and other related costs.

The Financial Crisis and its Continued Effect on Global Financial Markets. In the recent past, world financial markets experienced extraordinary market conditions, including, among other things, extreme losses and volatility in securities markets and the failure of credit markets to function. In reaction to these events, regulators in the U.S. and several other countries undertook unprecedented regulatory actions. The U.S. government and securities regulators of many other jurisdictions continue to consider and implement rules and regulations for the U.S. and global financial markets. However, global financial markets may remain volatile, and it is uncertain whether regulatory actions will be able to prevent further losses and volatility in securities markets. It is possible that regulatory actions might increase the possibility of future volatility. Regulations may increase market fragmentation and decrease the global flow of capital as it may be too difficult for the Funds and other market participants to comply with multiple regulatory regimes. There may be significant new regulations that could limit the Funds' activities and investment opportunities or change the functioning of capital markets, and there is the possibility of another worldwide economic downturn. Consequently, the Funds may not be capable of, or successful at, preserving the value of its assets, generating positive investment returns or effectively managing its risks.

Availability of Suitable Investments. The success of the Funds' investment and trading activities depend on the ability of the Firm to identify overvalued and undervalued investment opportunities and to manage market exposure risk. Identification and exploitation of the investment strategies to be pursued by the Funds involve a high degree of uncertainty. No assurance can be given that the Firm will be able to identify suitable investment opportunities in which to deploy all of the Funds' capital. A reduction in overall market volatility and liquidity, as well as other market factors, may reduce the pool of profitable investments for the Funds. Certain of the investment strategies employed by the Funds may be based on historical relationships among equity prices, exchange rates, interest rates and bond prices. There can be no assurance that these historical relationships will continue and no representation made by Shelter Harbor as to what results the Funds will or are likely to achieve based on these trends and relationships.

Available Information. The Firm will select investments, in part, on the basis of information and data filed by the issuers of securities with various government regulators or made directly available to the Firm by such issuers, or through sources other than the issuers. Although the Firm evaluates all such information and data, and seeks independent corroboration when the Firm considers it appropriate and when it is reasonably available, the Firm is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases complete and accurate information is not readily available.

Companies with Smaller Market Capitalizations. The Funds may become exposed to companies with smaller market capitalizations. Investments in small cap issuers and medium sized companies may involve greater risks and volatility than investments in larger companies. Companies with smaller market capitalizations may be at an earlier stage of growth, with limited financial resources and less depth in management than more established companies. In addition, these companies may have difficulty withstanding competition from larger more established companies in their industries. The securities of companies with smaller market capitalizations may be thinly traded (and therefore have to be sold at a discount from current market prices or sold in small lots over an extended period of time), may be followed by fewer investment research analysts, and may be subject to wider price swings. As a result, investments in these companies may be at risk of a greater chance of loss than investments in the

securities of larger capitalization companies. In addition, transaction costs in smaller capitalization stocks may be higher than those of larger capitalization companies.

Market Disruptions. The Funds may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded because in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to the Funds from its dealers and other counterparties typically will be reduced in disrupted markets. Such a reduction may result in substantial losses to the Funds if it is forced to close out positions that it is no longer able to finance, and likely in depressed market conditions. Market disruptions may from time to time cause dramatic losses for the Funds; such disruptions can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

Diversification Risk. The Funds may hold a limited number of positions (both long and short) at any given time. As a result of the Funds' lack of diversification, a significant loss in any one position may have a material adverse effect on the net asset value of the Funds and the Funds' rate of return. Diversification of Funds assets among different industries is not a primary goal of the Funds. Further, the Funds' investment portfolio may become concentrated in one industry, sector, strategy, country or geographic region, and such concentration of risk may increase the losses suffered by the Funds. It could also become concentrated to a limited number or types of financial instruments, which could expose the Funds to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those financial instruments.

Litigation Risk. Distressed companies such as those in which the Funds may occasionally invest may be subject to litigation, including bankruptcy litigation, shareholder derivative suits and creditor suits.

Stock Market Volatility. Stock markets are volatile and may decline significantly in response to adverse issuer, political, regulatory, market or economic developments. Different parts of the market and different types of equity securities may react differently to these developments. For example, small cap stocks may react differently than large cap stocks. Issuer, political or economic developments may affect a single issuer, issuers within an industry, sector or geographic region, or the market as a whole.

Portfolio Turnover. The Funds' investment program may involve frequent trading, which may result in higher investment costs and charges to the Funds and ordinary income or short-term capital gain treatment as opposed to long-term capital gain treatment for U.S. federal income tax purposes.

Changes in Investment Strategy. The Firm has considerable discretion in choosing the securities that may be acquired and has the right to modify the investment strategy, selection criteria, or hedging techniques used by the Funds without the consent of the Investors. Any of these new investment techniques may not be thoroughly tested in the market before being employed and may have operational or theoretical shortcomings, which could result in unsuccessful investments and, ultimately, losses to the Funds. In addition, any new investment strategy or hedging technique developed may be more speculative than earlier techniques and may increase the risk of an investment in the Funds.

Risk of Operations/Liquidity Risks. Although the securities that the Funds may acquire will be traded on public exchanges, each exchange typically has the right to suspend or limit trading in all securities that it lists. Such a suspension could render it difficult or impossible for the Funds to liquidate its positions and would thereby expose it to losses. In addition, some of the securities in which the Funds may invest may be thinly traded, potentially making it difficult for the Funds to dispose of a position at the time or price desired. Moreover, in periods of extreme market volatility, the bid/ask spreads for some securities that ordinarily are liquid may widen, making it difficult or undesirable to sell the securities. Furthermore, if

Funds elected to withdraw a substantial amount from their capital accounts as of the end of a given fiscal year, the Managed Accounts might be forced to close out existing positions at a time when it was disadvantageous to do so. There can be no assurance that the trading markets will remain liquid enough for management to close out existing positions at any time there is a need to do so.

Risk of Global Investing. The Funds may invest its assets in non-U.S. securities and other financial instruments denominated in non-U.S. currencies. Investments in securities of non-U.S. issuers and securities denominated in non-U.S. currencies pose currency exchange risks to the extent not hedged. In addition, foreign securities regulators may exercise less regulatory supervision than those in the U.S., and foreign governments may afford less legal protection to the Funds as an investor. In addition, Funds' investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies.

Price and Liquidity Fluctuations of Funds' Investments. It is expected that the Funds' investments will generally be in public securities. However, the market value of the Funds' investments may fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of financial markets, developments or trends in the securities markets and the financial condition of the issuers of the securities in which the Funds invests. During periods of limited liquidity and higher price volatility, the Funds ability to acquire or dispose of its investments at a price and time that the Funds deems advantageous may be impaired. As a result, in periods of rising market prices, the Funds may be unable to participate in price increases fully to the extent that it is unable to acquire the desired positions quickly; the Funds inability to dispose fully and promptly of positions in declining markets will conversely cause its net asset value to decline as the value of unsold positions is marked to lower prices.

Competition. The securities industry is extremely competitive. The Firm will compete for investment opportunities against various other investors, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs. Competitive investment activity by other firms may reduce the Funds' opportunity for profit by reducing the availability of or increasing the price of what the Funds believes to be, based on its investment criteria, exceptional investment opportunities.

Investment Limitations. The Firm is subject to certain limitations with respect to exposure, concentration, industry, sector, geography, and liquidity with respect to the Funds. Such limitations may cause substantial risks that are not present in investment products that are not limited by the foregoing limitations, and may result in limitations on investments (including follow-on investments) that would otherwise be in the best interest of the Funds. In addition, due to the foregoing limitations, the Funds may be more vulnerable to changes in the economy, market or other factors than other investment products, and, as a result, performance results may be highly volatile and may result in the Funds significantly outperforming, or underperforming, the market as a whole.

Utilities Industry. The Funds' investment portfolios contain a high proportion of securities in the global utility sector, utility services providers and utility equipment manufacturers. The risks associated with the long side of the portfolio of electric utility companies include, but are not limited to, those involving the construction, operation and licensing, including the risk of related accidents. The market value of the stock of electric and gas utility companies also may be adversely affected by inadequate rate increases from regulatory agencies. Conversely, the short side of the portfolio is subject to different risks, which might cause the price of the securities to rise, such as, among other things, higher than expected dividends, unexpectedly positive regulatory changes, merger, takeover or acquisition and lower interest rates. Other risks of electric and gas utilities include, but are not limited to, their sensitivity to changes in interest rates and commodity prices, their continuing requirements for raising additional capital and their obligation to comply with environmental and other governmental mandates.

Leverage. The Funds may use leverage in its investment strategy. The use of leverage by the Funds can substantially increase the market exposure (and market risk) to which the Funds' investment portfolio may be subject. Trading on leverage will result in interest charges or costs and, depending on the amount of leverage, such charges or costs could be substantial. The level of interest rates generally, and the rates at which the Funds can leverage in particular, can affect the operating results of the Funds. The Funds' anticipated use of short-term margin borrowings results in certain additional risks to the Funds. For example, should the securities pledged to brokers to secure the Funds' margin accounts decline in value, the Funds could be subject to a "margin call," pursuant to which the Funds would be required either to deposit additional funds with the broker or to suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the Funds' assets, the Funds might not be able to liquidate assets quickly enough to pay off its margin debt.

Dependence on Occurrence of Events. The ability to realize a profit on certain of the Funds' investments may be dependent upon the occurrence of certain events, for example, the bankruptcy, sale, or successful reorganization of a company. If the event that the Firm is expecting to occur does not occur, the Funds may sustain a significant loss.

Institutional Risks. Institutions will have custody of the assets of the Funds through the Funds. Certain assets of the Funds will be exposed to the credit risk of the dealers, brokers and exchanges through which the Firm deals, whether the Firm engages in exchange-traded or off-exchange transactions. These firms and/or financial institutions, regardless of how large or well-capitalized, may encounter financial difficulties that impair the operating capabilities or the capital position of the Funds. If any broker-dealer or other financial institution holding the Funds' assets were to become bankrupt or insolvent, it is possible that the Funds would be able to recover only a portion, or in certain circumstances, none of its assets held by such bankrupt or insolvent entity.

Counterparty Risk. Brokers may trade with an exchange as principals on behalf of the Funds, in a "debtor-creditor" relationship, unlike other clearing broker relationships where the broker is merely a facilitator of the transaction. Such broker could, therefore, have title to all of the assets of the Funds (for example, the transactions that the broker has entered into on behalf of the Fund as principal as well as the margin payments that the Fund provides). In the event of such broker's insolvency, the transactions into which the broker has entered as principal could default, and the Funds' assets could become part of the insolvent broker's estate, to the detriment of the Funds. The Funds' assets may be held in "street name," in which case, a default by the broker could cause the Funds' rights to be limited to that of an unsecured creditor.

To the extent that the Funds invests in swaps, derivative or synthetic instruments, or other over-the-counter transactions, including forward contracts, or, in certain circumstances, non-U.S. securities, the Funds may also take a credit risk with respect to the parties with whom it trades and may bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions, which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

Convergence Risk/Relative Value Strategy Risk. Shelter Harbor may pursue relative value strategies by taking long positions in securities believed to be undervalued and short positions in securities believed to be overvalued. In the event that the perceived mispricing underlying the Funds' trading positions were to fail to converge toward, or were to diverge further from, relationships expected by the Firm, the Funds may incur a loss.

Hedging. The Funds may engage in a variety of hedging transactions, including derivatives, options and swaps. Hedges can be more difficult to implement than many other types of transactions, and the possibilities for errors may be greater than for other transactions. Additionally, there is no guarantee that these hedging transactions will prevent losses to the Funds. The success of the Funds' hedging strategy will be subject to the Firm's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Funds' hedging strategy will also be subject to the Firm's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. In addition, hedging transactions may result in poorer overall performance for the Funds than if no such hedging transactions were executed. Moreover, the Firm may determine not to hedge against, or may not anticipate, certain risks. Finally, the Funds may be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular investments and counterparties).

Short Sales. Short selling involves selling securities that may or may not be owned and borrowing the same securities 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 prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss. A short sale involves the risk of a theoretically unlimited increase in the market price of the security. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. As the Funds may use borrowed money as part of its strategy, the Funds also could be forced to close out a short sale prematurely as a result of an increase in margin requirements, coupled with an inability to provide the required additional margin on short notice. In addition, short sellers are subject to the risk of a "short squeeze." A short squeeze is a situation in which the short seller is prematurely forced out of a short position. The lender of a security used to cover a short generally has the right to demand the return of the security that has been loaned at any time. If a lender were to demand the return of securities that Funds had borrowed, the Funds would be required to replace the borrowed securities by borrowing identical securities from another lender. If the Funds were unable to replace the borrowed securities, it would be required to close out the short sale by buying identical securities in the market in order to make delivery. In such event, the Funds could incur significant losses if the securities sold short had increased in value.

Securities Lending and Borrowing. The Funds may lend securities to securities brokers and other institutions as a means of earning additional income, or may borrow securities from securities brokers or other institutions to cover short positions. If the other party to such transaction becomes insolvent or bankrupt, the Funds could experience delays and extra costs in recovering payment or the securities. To the extent that, in the meantime, the value of securities changes, the Funds could experience further losses. Security loans must be fully collateralized, and the Firm must be satisfied with the creditworthiness of the other party to the transaction.

Cyber Security Risks. With the increased use of technologies such as the internet and the dependence on computer systems to perform necessary business functions, investment vehicles such as the Funds and its service providers may be prone to operational and information security risks resulting from cyber-attacks. In general, cyber-attacks result from deliberate attacks, but unintentional events may have effects similar to those caused by cyber-attacks. Cyber-attacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial-of-service attacks on websites, the unauthorized release of confidential information and causing operational disruption. Successful cyber-attacks against, or security breakdowns of, the Managed Accounts, the Firm, the Administrator and/or other third-party service

providers may adversely impact the Funds or the Investors. For instance, cyber-attacks may interfere with the processing of Investor subscriptions or withdrawals, impact the Funds' ability to value its assets, cause the release of private Investors information or confidential information of the Funds, impede Fund operations, cause reputational damage, and/or subject the Funds to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and/or additional compliance costs. The Funds also may incur substantial costs for cyber- security risk management to prevent any cyber incidents in the future. The Funds and the Investors could be negatively impacted as a result. While the Funds have established business continuity plans and systems designed to prevent such cyber-attacks, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Similar types of cyber security risks are also present for issuers of securities or other instruments in which the Funds invests, which could result in material adverse consequences for such issuers, and may cause the Funds' investment therein to lose value.

Reliance on Key Individual. The success of the Funds will be entirely dependent on the efforts of Mr. Peter Hark. The loss of the services of this individual would adversely affect the Funds.

While Shelter Harbor strives to mitigate these risks through a variety of techniques, it makes no guarantee or representation that a client's investment program and related trading will be successful. As a result of the foregoing and other factors, Funds face the risk of losing all or substantially all of their investment.

Shelter Harbor maintains its Funds strictly in accordance with the strategies and investment guidelines set forth in its advisory agreements and may not pursue, initiate or employ any new or different trading and investment strategies without the prior written consent of the Managed Accounts.

#### **Item 8.C.**

The following is a brief summary of the risks involved with particular securities recommendations:

Equity Securities. The Funds may invest in equity and equity-related securities, including, without limitation, equity investments acquired in connection with restructured debt securities or instruments, or in connection with reorganizations and/or restructurings of debt securities, equity securities or other obligations and assets of undervalued, operationally challenged and/or financially troubled companies or institutions. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments.

Options. Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (i.e., the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (i.e., sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value.

Exchange Traded Funds and Other Similar Instruments. Investments in ETFs and other instruments involve certain inherent risks generally associated with investments in a broadly-based portfolio of stocks including risks that the general level of stock prices may decline, thereby adversely affecting the value of each unit of the ETF or other instrument. In addition, an ETF may not fully replicate the performance of

its benchmark index because of the temporary unavailability of certain index securities in the secondary market or discrepancies between the ETF and the index with respect to the weighting of securities or number of stocks held. Because ETFs and pools that issue similar instruments bear various fees and expenses, the Funds investment in these instruments will involve certain indirect costs, as well as transaction costs, such as brokerage commissions. Shelter Harbor considers the expenses associated with an investment in determining whether to invest in an ETF or other instrument.

Securities of Sub-Investment Grade Companies. Special risks may arise if the Funds invests in the securities of sub-investment grade and highly leveraged companies. Although such investments may result in significant returns to the Funds, they involve a substantial degree of risk. If the “natural leverage” created by a company’s high level of borrowing should work against a Funds short position, the Funds’ losses would be heightened. Although the Funds may not do so frequently, should the Funds purchase distressed and/or non-performing debt securities, and subsequent to purchasing them find that they are no longer readily traded by broker-dealers, these securities may not show any return for a considerable period of time. Many distressed and/or non-performing securities ordinarily remain unpaid while the company is in bankruptcy and may not ultimately be paid unless and until the company reorganizes and/or emerges from bankruptcy proceedings. As a result, if they are no longer readily traded by broker-dealers, such securities may have to be held for an extended period of time. There is no assurance that the Firm will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Funds invests, the Funds, may lose its entire investment. Under such circumstances, the returns generated from the Funds’ investments may not compensate the Investors adequately for the risks assumed.

Restricted and Illiquid Investments; Unregulated Transactions. The Funds may invest in securities, debt and other assets, that are subject to legal or other restrictions on transfer or for which no liquid market exists. Such investments are subject to the restrictions contained herein. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable and the Funds may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The Funds may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Companies whose securities are not publicly traded are not subject to the same disclosure and reporting requirements that are generally applicable to companies with publicly traded securities, nor is the trading of such non-publicly traded securities regulated by any governmental agency. Accordingly, the protections accorded by such regulation will not be available in making such investments. In addition, in certain circumstances, governmental or regulatory approvals may be required for the Funds to dispose of an investment. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. An investment in the Funds is suitable only for certain sophisticated investors who do not require immediate liquidity for their investments.

Derivative Instruments. The Funds could potentially create leverage via the use of instruments such as options and other derivative instruments. The value of a derivative depends largely upon price movements in the underlying asset; hence many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. In addition, there are a number of other risks associated with derivatives trading, such as increased exposure for the Funds, exposure to liquidity risks and counterparty risks. The Funds may invest in options, which can provide a greater potential for profit or loss than an equivalent investment in the underlying asset and may involve different risks than investing in directly in the underlying asset.

Futures Contracts. The value of futures depends upon the price of the instruments, such as commodities, underlying them. Futures contracts may be used by the Funds to manage currency and general market risk. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which the Funds' positions trade or of its clearinghouses or counterparties. Futures positions may be illiquid because certain exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day, no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Funds from promptly liquidating unfavorable positions and subject the Funds to substantial losses or prevent it from entering into desired trades. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

Forward Trading. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. For example, there are no requirements with respect to record-keeping, financial responsibility or segregation of customer funds or positions.

In contrast to exchange-traded futures contracts, interbank traded instruments rely on the dealer or counterparty being contracted with to fulfill its contract. As a result, trading in interbank foreign exchange contracts may be subject to more risks than futures or options trading on regulated exchanges, including, but not limited to, the risk of default due to the failure of a counterparty with which the Funds have a forward contract. Although the Firm seeks to trade with reliable counterparties, failure by a counterparty to fulfill its contractual obligation could expose the Funds to unanticipated losses. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with unusually wide spreads between the prices at which they were prepared to buy and those at which they were prepared to sell. Disruptions can occur in forward markets due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to a lower volume than that which the Firm would otherwise recommend, to the possible detriment of the Funds. Market illiquidity or disruption could result in significant losses to the Funds.

**THE FOREGOING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE ENUMERATION OR EXPLANATION OF THE RISKS INVOLVED ASSOCIATED WITH SHELTER HARBOR'S INVESTMENT ANALYSIS AND INVESTMENT STRATEGIES. SUBSTANTIAL ADDITIONAL RISKS MAY BE PRESENT. PROSPECTIVE INVESTORS SHOULD READ THE OFFERING DOCUMENTS AND CONSULT WITH THEIR OWN ADVISORS BEFORE DECIDING TO MAKE AN INVESTMENT.**



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***Item 9: Disciplinary Information***

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Shelter Harbor currently has no reportable disciplinary events to disclose.

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

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**Item 10.A.**

Shelter Harbor is currently not applying to register as a broker-dealer and does not intend to.

**Item 10.B.**

Neither Shelter Harbor, nor any of its management persons, are registered or intend to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

**Item 10.C.**

Neither Shelter Harbor, nor its principals or any executive officer has any relationship or arrangement with a related person that is material to its advisory business or its clients or could create a material conflict of interest with clients.

**Item 10.D.**

Neither Shelter Harbor, nor its principals, recommends or selects other investment advisers for any of its advisory clients.

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

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**Item 11.A.**

Shelter Harbor has adopted a written Code of Ethics (“**Code**”) designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Advisers Act, which requires that investment advisers adopt a code of ethics setting forth standards of business conduct and compliance with federal securities laws by all employees. Shelter Harbor has several goals in adopting this Code. Shelter Harbor endeavors to comply with all applicable laws and regulations governing its business and practices. The Code of Ethics sets forth guidelines for professional standards under which all persons associated with Shelter Harbor are to conduct themselves, including the following:

- A statement of the standard of business conduct;
- Limits and reporting requirements on personal trading;
- Monitoring of personal account transactions;
- Limits and reporting requirements for gifts and entertainment;
- Limits and reporting requirements on political contributions;

- Employees must acknowledge in writing having received and read a copy of the Compliance Manual and Code of Ethics.

Shelter Harbor has set high standards, the intention of which is to protect its clients' interests at all times and to demonstrate Shelter Harbor's commitment to its fiduciary duties of honesty, good faith and fair dealing with its clients.

Shelter Harbor will provide a copy of its Code of Ethics upon request to any advisory client or potential advisory clients.

#### **Items 11.B., 11.C., and 11.D.**

The management agreement with each Fund specifically provides that Shelter Harbor or any of its supervised persons may serve as investment manager to other entities, accounts or investors and may conduct investment activities for their own accounts.

Employees of the Firm are permitted to make securities transactions in their personal accounts, but this potential conflict is managed by not permitting personal securities transactions in advance of or contemporaneous with an investment decision for any client account. No employee may knowingly purchase or sell for any personal account any security, directly or indirectly, in such a way as to adversely affect the Funds. All personal securities transactions are monitored and will be conducted in such a manner as to avoid any actual, potential or perceived conflicts of interest or abuse of an individual's position of trust and responsibility. Furthermore, the CCO will monitor transactions by Shelter Harbor employees to ascertain any pattern of conduct which may evidence conflicts or potential conflicts with the principles and objectives of the Code, including a pattern of front-running, scalping or other inappropriate behavior.

Potential conflicts of interest are addressed through regular monitoring of client portfolios for consistency with the Funds objectives, strategies, and target capacity. The portfolio manager carefully considers the risks involved in any investments and Shelter Harbor provides extensive disclosure to its clients regarding the potential risks that come with an investment with Shelter Harbor. Shelter Harbor and its supervised persons, as fiduciaries, endeavor to always make decisions in the best interest of the advisory clients if a conflict of interest arises.

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#### ***Item 12: Brokerage Practices***

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##### **Item 12.A.**

Shelter Harbor executes, clears and settles its securities transactions through qualified financial institutions which are registered as broker-dealers under the Securities and Exchange Act of 1934, as amended (the "**Exchange Act**").

Currently, the Funds direct that Shelter Harbor trades through brokers previously selected by the Funds (as discussed more fully under "Directed Brokerage" below).

##### **Research and Other Soft Dollar Benefits**

Shelter Harbor may receive research or other products or services other than execution from its brokers in connection with client securities transactions. In the event the Firm enters into a soft dollar arrangement,

the Firm will endeavor to ensure client brokerage and services are within the scope of Section 28(e) of the Exchange Act. Additionally, the Firm will make certain adequate policies and procedures are in place to address potential conflicts of interest. All brokerage and soft dollar arrangements must be reviewed and approved by the Firm's CCO before being implemented.

#### Brokerage for Client Referrals

Although it has no such arrangements at present, Shelter Harbor also may direct transactions to broker-dealers which refer clients to Shelter Harbor. If Shelter Harbor uses a broker that has referred a client, or may refer clients, Shelter Harbor has a potential conflict of interest between its duty to obtain best execution for its clients and its interest in receiving future referrals. Commission rates charged by brokers that refer clients to Shelter Harbor may be higher or lower than the commission rates charged by other brokers that Shelter Harbor uses. Shelter Harbor will only direct transactions to a broker-dealer that has referred or may refer clients if Shelter Harbor determines in good faith that the commissions charged by that broker are not materially higher than those of others offering equivalent services.

#### Directed Brokerage

The Funds have designated a firm to serve as both the custodian and prime broker for its assets and any securities trades which Shelter Harbor enters on behalf of the Funds ("Directed Broker"). Advisory clients of the Firm are required to make representations in the investment management agreement to the effect that:

- if the Directed Broker declines or is unable to execute a specific transaction, Shelter Harbor will assume (for such trades only) the discretionary authority to execute the trade at another broker-dealer; and
- the client has determined that in view of the services being provided by the Directed Broker, the direction of the account's brokerage to the Directed Broker, the brokerage commission rate determined by the client and the Directed Broker, and other services provided by the Directed Broker are in the best interests of its account.

Not all investment advisors require their clients to direct brokerage. By directing brokerage, the Firm may be unable to achieve most favorable execution of client transactions and could cause the Funds to pay transaction costs in an amount greater than would be incurred if the Firm engaged another broker-dealer. Due to the circumstances above, Shelter Harbor does not solicit competitive bids or seek the lowest available commission or transaction costs.

#### **Item 12.B.**

The Funds are the only accounts for which Shelter Harbor currently provides investment advice, and there is no overlap regarding the instruments traded between the Funds due to the geographical focus of each Fund strategy. As such, Shelter Harbor is not in a position to aggregate orders for various accounts at this time.

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

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**Item 13.A. and 13.B.**

The portfolio manager reviews the investment strategies and portfolio decisions made on behalf of client accounts on an ongoing basis.

Shelter Harbor or the custodian of a client account provides a written account statement or report to the client on a periodic basis, at least monthly, depending on the terms negotiated between the specific client and Shelter Harbor. The reports include the performance of the account along with other information as agreed by Shelter Harbor and the client. The client is encouraged to review all account statements for accuracy.

Shelter Harbor maintains appropriate records regarding its activities consistent with its duties under applicable laws and regulations and sufficient to accurately detail and evidence all such activities with respect to its client accounts. Shelter Harbor shall make any and all such records available to any client upon request or as required by law. Shelter Harbor is in no event responsible for the accuracy of information furnished by any client, custodian or any other third party or the accuracy of any record or report or the result of any action taken based on inaccurate information provided by any such third party.

**Item 13.C.**

The Firm is not responsible for sending statements to the Funds' investors at this time. The custodian will send at least quarterly statements to the Funds' investors.

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

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**Item 14.A.**

Shelter Harbor does not receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to the Funds.

**Item 14.B.**

Shelter Harbor does not compensate any non-supervised person for client referrals.

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***Item 15: Custody***

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Shelter Harbor does not serve as custodian of any client funds or securities and its clients do not surrender ownership of any cash or securities comprising the assets in their accounts. Shelter Harbor may not remove any cash or securities from a client account. Client assets subject to Shelter Harbor's supervision will normally be maintained in street name in client's custody with the custodian and/or broker-dealer selected by the client and set forth in their investment management agreement or elsewhere. Clients

should carefully review account statements received from the broker-dealer, bank, or other qualified custodian.

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***Item 16: Investment Discretion***

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Clients grant Shelter Harbor full discretionary authority to manage their accounts and the investments made in the accounts. In its investment management agreement, each Fund generally grants Shelter Harbor a limited power of attorney and expressly authorizes Shelter Harbor to make, order and direct any and all transactions involving the assets for the client account. Accordingly, Shelter Harbor is authorized to perform various functions, at each client's expense, without further approval from the client. Such functions include the determination of securities to be purchased or sold, the amount of securities to be purchased/sold and the prices to be paid or received in connection with such transactions.

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

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**Item 17.A.**

As a general practice, Shelter Harbor does not anticipate voting securities on behalf of its Clients, however, it retains the right to vote such proxies on behalf of the Funds at its sole discretion. If a situation arises where the Firm needs to exercise proxy voting, it will comply with its written policies and procedures governing the voting of client securities to ensure such proxies are voted in the best interests of the Funds. If a material conflict is identified, the Principal, or such other designee (in consultation with outside compliance consultants and/or legal counsel) will determine what course of action is in the best interests of the affected Fund (which may include utilizing an independent third party to vote such proxies). Further, Shelter Harbor will determine whether it is appropriate to disclose the conflict to affected Funds and give such Funds (and investors, if applicable) the opportunity to vote the proxies in question themselves. In the event the Firm participates in proxy voting, the Firm will keep record of its proxy voting policies and procedures, proxy statements received, votes cast, all communications received and internal documents created that were material to voting decisions and each client request for proxy voting records and Shelter Harbor's response for the previous five years. Investors do not have the ability to direct proxy votes. Advisory Clients may obtain additional information regarding how Shelter Harbor voted proxies and may obtain a copy of Shelter Harbor's proxy voting policies and procedures by contacting [phark@shelterharbor.net](mailto:phark@shelterharbor.net).

**Item 17.B.**

As discussed above, Shelter Harbor has the authority to vote Fund securities, but as a general practice, does not participate in such voting.

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***Item 18: Financial Information***

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**Item 18.A.**

The Firm does not require or solicit prepayment of more than \$1200, six months or more in advance.

**Item 18.B.**

There are no conditions that impair the Firm's ability to meet its contractual and fiduciary commitments to its advisory clients.

**Item 18.C.**

The Firm has not been subject to a bankruptcy petition, past or pending.

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