

Firm Brochure  
ADV Part 2A

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Proventus Ltd, Asset Management  
Feldeggstrasse 12  
8034 Zurich  
Phone: + 41 (0) 44 217 83 83  
[www.proventus-vw.ch](http://www.proventus-vw.ch)

## **Item 1. Cover Page**

This brochure (Form ADV Part 2A) provides information about the qualifications and business practices of Proventus AG Vermögensverwaltung ("Proventus AG" or "Proventus Ltd"). Proventus Ltd is a registered investment advisor ("RIA") with the United States Securities and Exchange Commission (the "SEC") under the Investment Advisers Act of 1940, as amended (the "Advisers Act").

If you have any questions about the contents of this brochure, please contact us by telephone at +41 (0) 44 217 83 83 or by e-mail at [info@proventus-vw.ch](mailto:info@proventus-vw.ch).

The information in this brochure has not been approved or verified by the SEC or by any state securities authority. Additional information about Proventus Ltd is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). There is no specific level of skill or training required to register as a RIA with the SEC. This Brochure provides information for U.S. clients of Proventus Ltd; most provisions of the Advisers Act and of this Brochure do not apply to Proventus Ltd.'s non-U.S. clients.

## **Item 2. Material Changes**

Since the last annual update of this ADV Part2A brochure in February 2021, Proventus received a license as an asset manager by the Swiss Financial Market Supervisory Authority (FINMA) on February 1, 2022.

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## **Item 4. Advisory Business**

### Firm Description

Proventus AG Vermögensverwaltung ("Proventus AG", "Proventus Ltd" or "the Firm" or "we"), a Swiss corporation based in Zurich, Switzerland, provides investment advisory services to clients resident in the United States ("US"). We also serve US taxpayers or dual citizens living outside the US and clients who have no connection to the US. Proventus Ltd commenced operations in November 1998.

### Principal Owners

Bence András and Markus Widmer principally own Proventus Ltd.

### Discretionary Portfolio Management

Proventus Ltd offers a discretionary asset management service to individuals and high net worth clients and their families. The services provided are designed for investors who wish to have their assets fully managed by Proventus Ltd and include asset allocation, investment selection, active portfolio management and portfolio rebalancing consistent with the circumstances, preferences and objectives of each client.

Proventus Ltd discusses a client's prior investment history, as well as family composition and background. As part of this information-gathering process, Proventus Ltd determines the client's individual objectives, time horizon, risk tolerance, tax situation and liquidity needs and develops a tailored investment policy.

Each client's assets are managed in a separate account (an "Account") maintained at a third-party financial institution.

Proventus Ltd purchases and sells securities for the client's Account without prior consent of or notification to the client. Proventus Ltd determines the securities that are bought and sold for the client's Account and the total amount of the purchases and sales.

Proventus Ltd's authority may be subject to conditions imposed by individual clients as set forth and agreed upon in the asset management agreement entered into between Proventus Ltd and the client. For example, a client may restrict or prohibit transactions in certain types of securities.

Client Accounts broadly are managed in a similar manner, however, differences in each portfolio occur due to client specific objectives, tax considerations, liquidity needs, risk tolerance, reference currency, expected returns, legal restrictions, investment time horizon and overall suitability.

Proventus Ltd primarily invests in: Equity securities, fixed income, high quality rated debt instruments, mutual funds, exchange traded funds, hedge funds, precious metals and in rare occasions structured products. For the purpose of diversification, client accounts will hold non-dollar securities in markets outside the United States.

Whilst generally Proventus Ltd makes investments with a longer time horizon, Proventus Ltd may recommend changes to allocations in an attempt to take advantage of conditions in the current economic environment whilst being sensitive to transaction costs and taxes, as applicable. Such changes may involve underweight or overweight positions designed to capitalize on current economic conditions over the short-term.

Exceptionally and on client request Proventus Ltd may recommend other investment advisers for its clients.

Proventus Ltd's advice is limited to the types of securities and transactions as set forth in Item 8.

Proventus does not render any Legal or Tax advice.

### Wrap Fee Programs

Proventus Ltd does not participate in wrap fee programs.

## Assets under Management and Advisement

Proventus Ltd managed approximately \$685 million on a discretionary basis and \$ 37 million on a non-discretionary basis as of December 31, 2021.

### **Item 5. Fees and Compensation**

Proventus Ltd generally charges fees for its services as a percentage of the market value of assets under management ("AUM"). The asset management fee is charged quarterly in arrears. AUM is measured with reference to the last business day of the respective calendar quarter. The fee generally is charged in the reference currency of the Account.

Proventus Ltd is a fee-only investment adviser and does not receive undisclosed remuneration from third parties in connection with its investment advisory services. Discounts, finder's fees or any other remuneration received by Proventus Ltd from third parties will be disclosed to the client and credited against Proventus Ltd's management fees. Proventus Ltd does not manage accounts based on commissions, subscriptions fees, or hourly rate charges

Compensation is not payable in advance. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any relationship, accrued, unpaid fees will be due and payable.

Proventus Ltd relies on custodian banks of its clients to value the assets in the respective client Accounts, and Proventus Ltd computes its investment advisory fees based on these valuations provided by the custodian bank. At the end of the quarter, Proventus Ltd arranges with the custodian bank for the direct payment of its fee from each client's Account. The statement from the custodian bank will reflect all amounts disbursed from the Account, including the amount of any advisory fee paid to Proventus Ltd.

## Fees for Discretionary Portfolio Management

The annual fees range between 0.2% to 1% of AUM, depending on the size and complexity of the mandate.

In all cases, Proventus Ltd may waive, discount or negotiate fees at its discretion. Proventus Ltd may also charge additional fees for services outside the scope of the services described above. Any additional fees are disclosed to the client.

There is no minimum annual fee.

### Other fees and expenses you may incur

Fees charged by Proventus Ltd do not include custodian fees, fees for trade settlement, brokerage commissions, taxes or any other fee or taxes imposed by the custodian bank or the broker or National Authorities. Proventus Ltd's fees do not include management or other fees charged by funds or other products that client Accounts may be invested in from time to time. It is Proventus' philosophy to generally invest in the most favorable share class with the least cost.

Compensation owed to Proventus Ltd is not payable in advance.

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

#### Performance Based Fee Scheme

Proventus Ltd presently does not charge performance-based fees. However, Proventus Ltd may enter into performance based fee arrangements with qualified clients in the future subject to individualized agreements with each client. To the extent Proventus Ltd enters into a performance or incentive fee arrangements, it will do so in accordance with Section 205(a)(1) of the Advisers Act and Rule 205-3. According to those rules, only clients who meet the following requirements may opt for the performance based fee scheme: (i) clients with at least \$1,000,000 under management with Proventus Ltd; (ii) clients with more than \$2,000,000 of net worth, excluding the value of the primary residence

and certain debt secured by the property; or (iii) clients who are qualified purchasers under Section 2(a)(51) of the Investment Advisors Act of 1940, as amended (which generally is defined to include only individuals, companies or trusts with more than \$5,000,000 in investments). Proventus Ltd potentially can receive higher fees with a performance based compensation structure than from those accounts that pay the asset based fee schedule described above. To minimize this conflict, Proventus Ltd generally will enter into a performance fee arrangement upon the request of a client or in the case of specific investment performance objectives.

#### Side-by-Side Management

Proventus Ltd manages many client Accounts and as a result of differences in the fees charged on various account, Proventus Ltd has conflicts related to such side-by-side management of different accounts. For example, Proventus Ltd generally manages more than one account according to the same or a substantially similar investment strategy and yet have a different fee schedule applicable to such accounts as a result of the respective clients' AUM with Proventus Ltd or a client's election to compensate Proventus Ltd on a performance basis.

Side-by-side management of different types of accounts may raise conflicts of interest when two or more accounts invest in the same securities or pursue a similar although not identical strategy. These potential conflicts include the favorable or preferential treatment of an account or a group of accounts, conflicts related to the allocation of investment opportunities, particularly with respect to securities that have limited availability, such as initial public offerings, and transactions in one account that closely follow related transactions in a different account. In addition, the results of the investment activities for one account may differ significantly from the results achieved for other accounts, particularly if Proventus Ltd individually tailors clients' Accounts.

Proventus Ltd has policies and procedures in place aimed to ensure that all client Accounts are treated fairly and equitably. Proventus Ltd

strives to equitably allocate investment opportunities among relevant Accounts over time. In addition, investment decisions for each Account are made with specific reference to the individual needs and objectives of the Account. Accordingly, Proventus Ltd may give advice or exercise investment responsibility or take other actions for some clients (including related persons) that may differ from the advice given, or the timing and nature of actions taken, for other clients. Investment results for different Accounts, including Accounts that are generally managed in a similar style, also may differ as a result of these considerations. Some clients may not participate at all in some investments in which other clients participate, or may participate to a different degree or at a different time.

#### **Item 7. Types of Clients**

Proventus Ltd offers investment management services to individuals and high net worth individuals and families and their foundations, trusts, estates holding companies or other estate planning structure.

In addition to serving US resident clients, Proventus Ltd provides discretionary and non-discretionary investment advisory services to non-US resident clients. The provisions of the Advisers Act do not apply to the management services provided by Proventus Ltd to these non-US clients. This brochure describes only the service offering to US persons as defined under SEC Rule 902.

Generally, Proventus Ltd prefers its client relationships to have a minimum of \$1,000,000 of assets under management. Proventus Ltd may accept accounts below the minimum requirements, and will retain accounts that have dropped below the minimum requirement due to market fluctuation or investment performance. Related accounts can be aggregated.

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

### Methods of Analysis

Proventus Ltd invests using a long-only investment approach aimed at generating sustainable, long-term results, where capital preservation is as important as capital growth. Proventus Ltd invests based on its views of market trends, which are reflected in its asset allocations in its discretionary mandates. Proventus Ltd manages assets by using a top-down, macro-economic analysis in combination of bottom-up analysis of both market timing and specific security selection. Generally, Proventus Ltd seeks to obtain broad diversification across countries, industries, company size, long-term themes and short term opportunities.

### Investment Strategies

Proventus Ltd generally builds client portfolios within the parameters of the following five investment strategies, which serve as the basis for tailor-made portfolios. Each client's portfolio will differ based on a client's unique situation and objectives within the parameters of the selected strategy.

*1. Fixed Income Strategy:* The fixed income strategy seeks to preserve the invested assets on a yearly basis and to achieve a constant interest income. It is pursued with approximate ranges of 80 – 100% in money market instrument and fixed income securities and 0 – 20% in other investments such as commodities and real estate.

*2. Income Strategy:* This strategy seeks to achieve real long-term asset growth and to generate interest and dividend income, enhanced with some capital gain potential. Portfolios consist of approximate ranges of 50 – 95% in money market instruments and fixed income securities, 5 – 30% in equities and 0 – 25% in other investments such as commodities and real estate.

*3. Balanced Strategy:* Obtaining real long-term asset growth is the main objective. Earnings are generated from interest and dividends, enhanced with capital gain potential.

Portfolios consist of approximate ranges of 25 – 70% in money market instruments and fixed income securities, 30 – 50% in equities and 0 – 25% in other investments such as commodities and real estate.

*4. Growth Strategy:* This strategy aims to achieve significant real long-term asset growth. Investment returns are strongly driven by capital gains. Portfolios are built with approximate ranges of 10 – 50% in money market instruments and fixed income securities, 50 – 75% in equities and 0 – 25% % in other investments such as commodities and real estate.

*5. Equities Strategy:* The objective of this strategy is to achieve a substantial real asset growth. Investment returns are predominantly driven by capital gains. Portfolios are built with approximate ranges of 0 - 30% in money market instruments and fixed income securities, 70 – 100% in equities and 0 – 25% % in other investments such as commodities and real estate.

### Types of Securities

Proventus Ltd offers investment management and advisory services on the following types of securities and transactions: exchange-listed securities, securities traded over-the-counter, securities issued by non-US issuers, high quality rated corporate debt securities (and other commercial paper), certificates of deposit, investment company securities such as mutual funds, U.S. or foreign government securities, exchange traded funds and foreign exchange transactions. Some of these securities, particularly those issued outside of the US, may not be registered with the SEC. Proventus Ltd is able to invest clients on a discretionary basis in securities offered outside the US to non-US investors in reliance on Regulation S under the Securities Act of 1933.

Investments in private funds may be limited to "accredited investors" or "qualified purchasers," and may require investors to lock-up their assets for a period of time. These investments may have limited or no liquidity, and they may involve different risks than investing in registered funds and other publicly offered and traded securities. In the context of

a discretionary mandate, Proventus Ltd may invest client Accounts into such securities without client consent. Proventus Ltd relies on the valuation and performance data provided directly from the private funds. Private funds may often be delayed in providing Proventus Ltd with the valuation information; therefore, Proventus Ltd may likewise be delayed in reporting this information to the client.

Proventus Ltd will rely on the accuracy of a client's representations in making corresponding representations regarding the investment restrictions on behalf of a client's Account in connection with certain derivative, private fund or other similar investments with qualification restrictions. Proventus Ltd requires notification by the client if the client's representations become inaccurate.

In certain cases Proventus Ltd will recommend and invest in precious metals and structured products. Proventus Ltd does not invest in real properties.

#### Material Investment Risks

Clients should bear in mind that investing in securities involves a risk of loss. Clients should be prepared to bear the risk of losing their investment in securities. Past performance is not an indication as to future results.

Among other risks, all investments made by Proventus Ltd will be subject to market risk, liquidity risk, and interest rate risk, and may be subject to credit and counterparty risk, risk in fluctuations of commodity pricing, risk of loss due to political and economic developments in foreign markets, and risks involving movements in the currency markets.

**Market Risk.** Market risk refers to the risk of loss arising from general economic and market conditions, such as interest rates, availability of credit, inflation rates, commodity prices, economic uncertainty, changes in laws and national and international political circumstances. Each Account is subject to market risk, which will affect volatility of securities prices and liquidity. Such volatility or illiquidity could impair profitability or result in losses.

**Risk Related to Equity Investments.** Investments in equity securities generally involve a high degree of risk. Prices are volatile and market movements are difficult to predict. These price movements may result from factors affecting individual companies or industries. Price changes may be temporary or last for extended periods. The value of specific equity investments generally correlates to the fundamentals of each particular security, but prices of equity investments may raise or fall regardless of fundamentals due to movements in securities markets.

**Risks Related to Fixed Income Investments.** Investments in fixed income securities (i.e., bills, notes, bonds, preferred, convertibles, ETFs and funds) involve a number of risks such as credit, interest rate, reinvestment, and prepayment risk, all of which affect the value of the security and volatility of such value. In general, fixed income securities with longer maturities are more volatile. Additionally, the prices of below investment grade (lower credit quality) securities fluctuate more than investment grade issues. Prices are sensitive to developments affecting the company's business and to changes in the ratings assigned by rating agencies. Prices are often closely linked with the company's stock prices. High yield securities can experience sudden and sharp price swings due to changes in economic conditions, stock market activity, large sales by major investors, default, or other factors. Developments in the credit market may have a substantial impact on the companies we may invest in and will affect the success of such investments. In the event of a default, the investment may suffer a partial or total loss.

**Risks Related to Investments in Funds.** For purposes of this discussion, the term "Fund" includes, but is not limited to, a U.S. or non-U.S. unit investment trusts, open-end and closed-end mutual funds, hedge funds, private equity funds, venture capital funds, real estate investment trusts, exchange traded funds ("ETFs") and any other private alternative or investment fund. Investments in Funds carry risks associated with the particular Fund. Each Fund and the respective manager will charge their own management and other fees, which will result in a Client bearing an additional level

of fees and expenses. U.S. mutual funds generally must distribute all gains to investors, including investors who may not have an economic gain from investing in the fund, which can lead to negative tax effects on investors, particularly non-U.S. persons. Investments in certain non-U.S. funds by U.S. persons result in U.S. tax and reporting obligations and failing to comply with such requirements can result in significant penalties. Funds generally have unique risks of loss as described in their offering documents. Funds can make use of leverage to enhance returns, which raise the risk of default, interest rate risk, and increase volatility. Certain Funds invest in derivatives, which can raise specific counterparty risks. Funds that are not traded can have illiquidity and valuation risks resulting in the inability to redeem or sell the Fund on demand. See the discussion below relating to risks in structured products and derivatives for more information on the risks of investing in Funds.

#### *Risks Relating to Foreign Currency Exposure.*

Accounts managed by Proventus Ltd are routinely subject to foreign currency risks and bear a potential risk of loss arising from fluctuations in value between the U.S. Dollar and such other currencies. Proventus Ltd invests in securities and other investments that are denominated in currencies other than U.S. Dollars. Some client's Accounts may hold significant non-dollar cash positions. Accordingly, the value of such assets may be affected favorably or unfavorably by fluctuations in currency rates. Often clients are seeking this foreign currency exposure. Thus, Proventus Ltd generally does not seek to hedge the foreign currency exposure. Even to the extent that Proventus Ltd does seek to hedge the foreign currency exposure, such hedging strategies may not necessarily be available or effective.

*Non-U.S. Investments.* Investments in non-U.S. securities expose a client's portfolio to a number of risks not always evident in U.S. markets. Such risks include, among other things, trade balances and imbalances, economic policies of various foreign governments, exchange control regulations, withholding taxes, potential for nationalization of assets or industries, and political instability.

*Risks Related to Precious Metal Accounts & Physical Precious Metals.* Precious metal accounts and investments in physical precious metals offered by custodian banks, present special investment risks. These metal accounts generally are notated with reference to the market price of the respective precious metal as determined by the respective custodian bank. The value of precious metals is volatile and generally based on the current spot or market price of the particular metal. The value of precious metals is driven by a variety of factors on a global basis including, among other factors, industrial demand, market supply, and investor demand. Metals should not be perceived as safer investments but rather this asset class also is speculative and volatile. Unless specifically agreed by the custodian bank, a precious metal account generally does not represent a right to convert to physical delivery and as such, generally there is a counterparty risk based on the financial strength and solvency of the custodian bank to pay the monetary equivalent of the notated value in the precious metal account. Alternatively, in the case of non-segregated physical holdings, there are other risks including the potential inability for the custodian bank to deliver the physical metal timely and liquidity risks associated with taking physical delivery of precious metals. Clients should see the specific risk disclosures issued by the custodian bank relating to precious metal accounts and physical precious metals.

#### **Item 9. Disciplinary Information**

Proventus Ltd has not been involved in any legal or disciplinary events.

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

Proventus Ltd management personnel are neither registered, nor have an application pending to register as, broker-dealers, registered representatives of a broker-dealer, future commission merchants, commodity pool operators, commodity trading advisors, or associated persons of the foregoing entities.



Proventus Ltd's co-owner, Bence András also holds an interest in a Canadian private equity company investing in oil and gas and thus offering investment opportunities to qualified non-US clients of Proventus Ltd. Proventus earns advisory fees in connection with Services rendered to this company.

Due to the fact that this fund is not subject to the Investment Company Act of 1940, because the fund operates exclusively outside the U.S. and is not offered to U.S. residents, Proventus does not believe this fund constitutes a "private fund" within the meaning of Item 7.B of Form ADV Part 1A or that its activities make it an advisor to a "private fund".

Proventus co-owner Markus Widmer is a non-executive board member of Valex Capital AG, an Investment Adviser offering its services only to non-US persons. Markus Widmer has no ownership in Valex Capital AG and no significant power to direct management. Valex Capital AG is not under common control with Proventus.

Per January 25, 2022 Proventus is licensed as an asset manager by the Swiss Financial Market Supervisory Authority (FINMA) and is supervised by it in accordance with the Federal Financial Institutions Act (FinIA). With some supervisory responsibilities delegated to the supervisory organisation authorised by FINMA, "Fincontrol Suisse AG "FINcontrol".

Proventus is moreover a member of FINOS – "Finanzombudsstelle Schweiz". FINOS is an ombudsman service located in Zurich, Switzerland, and provides dispute resolution services to affiliated financial service providers and their clients. FINOS is legally recognized pursuant to Art. 84 para. 1 FinSA.

### **Item 11. Code of Ethics, Participation in Client Transactions and Personal Trading**

Proventus Ltd seeks to minimize conflicts of interest and resolve those conflicts of interests in favor of its clients to the extent it determines reasonable and necessary in accordance with its Code of Ethics.

#### **Code of Ethics**

Proventus Ltd treats all clients equitably and has a duty to act in its clients' best interests. Except as otherwise described in this brochure, the interests of clients will be placed above Proventus Ltd's interests in case of any conflict. Proventus Ltd has adopted a Code of Ethics (the "Code") and maintains a written policy covering General Principles of Professional Conduct. Covered in this policy are procedures governing personal securities transactions by Proventus Ltd and its personnel. The Code also provides guidance and instruction to Proventus Ltd and its personnel on their ethical obligations in fulfilling its duties of loyalty, fairness and good faith towards the clients.

The overriding principle of Proventus Ltd's Code of Ethics is that all employees of Proventus Ltd owe a fiduciary duty to clients for whom Proventus Ltd acts as investment adviser or sub-adviser. Accordingly, employees of Proventus Ltd are responsible for conducting personal trading activities in a manner that does not interfere with a client's portfolio transactions or take improper advantage of a relationship with any client.

The Code contains provisions designed to try to: (i) prevent, among other things, improper trading by Proventus Ltd's employees; (ii) identify conflicts of interest; and (iii) provide a means to resolve any actual or potential conflicts of interest in favor of the clients. The Code attempts to accomplish these objectives by, among other things: (i) requiring pre-clearance of specific trades, which includes documenting any exceptions to such pre-clearance requirement; (ii) restricting trading in certain securities that may cause a conflict of interest, as well as (iii) periodic reporting regarding transactions and holdings of employees.

The Code contains sections including, but not limited to, the following key areas: (i) restrictions on personal investing activities; (ii) gifts and business entertainment; and (iii) outside business activities.

The Code also provides for Proventus Ltd's execution of supervisory policies and procedures, and the review and enforcement processes of such policies and procedures. Proventus Ltd has designated a Chief Compliance Officer responsible for maintaining, reviewing and enforcing Proventus Ltd's Code of Ethics and corresponding policies and procedures.

The fundamental position of Proventus Ltd Advisors is that, in effecting personal securities transactions, personnel of Proventus Ltd Advisors must place at all times the interests of clients ahead of their own pecuniary interests. All personal securities transactions by these persons must be conducted in accordance with the Code of Ethics and in a manner to avoid any actual or potential conflict of interest or any abuse of any person's position of trust and responsibility. Further, these persons should not take inappropriate advantage of their positions with or on behalf of a client.

If a person subject to the Code of Ethics fails to comply with the Code, such person may be subject to sanctions, which may include warnings, disgorgement of profits, restrictions on future personal trading, and, in the most severe cases, the possibility of dismissal.

Proventus Ltd will provide a copy of its General Principles of Professional Conduct to any client or prospective client upon request.

#### Participation or Interest in Client Transactions

Although Proventus Ltd does not hold proprietary positions, Proventus Ltd's related persons may own, buy, or sell for themselves the same securities that they or Proventus Ltd have recommended to clients. Thus, from time to time, a client Account may purchase or hold a security in which a related person of Proventus Ltd has financial interest or an ownership position, or a related person may purchase a security that is held in a client Account.

Also from time to time, Proventus Ltd employees or related persons may invest alongside the firm's clients, both to align the interest of firm and personnel and firm clients

and as an expression of confidence in our portfolio management efforts. In order to ensure that Proventus Ltd personnel never trade ahead of their clients, the firm requires all trading in specific positions for officer and employee accounts to come after the analogous trades are executed for client accounts. Firm personnel communicate personal trades prior to executing them, in order to ensure the application of these fundamental restrictions.

### **Item 12. Brokerage Practices**

Most of Proventus Ltd's clients have existing accounts or open new accounts at custodial banks in Switzerland. Each client may select the bank for his or her Account. Proventus Ltd does not select custodial banks on a client's behalf but may recommend a custodian Bank to the client.

Each custodian bank has its own policies and procedures relating to brokerage. In cases where the custodial bank requires Proventus Ltd to route securities orders through the trading desk of the bank, then Proventus Ltd will not have discretion in selecting the broker-dealer and the client should be aware of the incumbent risks associated with such arrangement. In cases where the custodial bank will settle with third-party broker-dealers, then Proventus Ltd will select the broker-dealer as described in this Item 12. In such cases, the Swiss custodian bank will settle trades with delivery-against-payment model.

#### *Proventus Ltd Selection of Broker-Dealers*

When the custodian bank permits Proventus Ltd to select the broker-dealer, Proventus will route securities orders to purchase and sell securities for those client Accounts held at the bank to independent brokers and dealers.

In selecting brokers and dealers to effect client transactions, Proventus Ltd attempts to obtain for clients: (i) the prompt execution of client transactions while market conditions still favor the transaction and (ii) the most favorable net prices reasonably obtainable. This is called "best execution." In placing orders to purchase and sell equity securities, Proventus

Ltd selects brokers that it believes will provide the best overall qualitative execution given the particular circumstances. A broker may provide more favorable terms and a higher quality of service to customers who place a higher volume of transactions through that broker. Accordingly, to obtain the benefits of higher volume trading for clients, we may place a large portion of client equity transactions through a limited number of brokers that meet Proventus Ltd's quality standards. When selecting a new equity broker, Proventus Ltd conducts a due diligence review of the broker to evaluate whether the broker is likely to provide best execution. We may consider any of the following factors:

- The ability of the custodian bank to settle transactions with the broker.
- The quality of services provided (including commissions, which may not be the lowest available but which ordinarily will not be higher than the generally prevailing competitive range).
- The extent of coverage of the various markets Proventus Ltd trades in.
- The broker's ability to communicate effectively with Proventus Ltd.
- The broker's ability to execute and settle difficult trades.
- Whether or not the broker offers lower cost electronic trading.
- The broker's clearance and settlement efficiency.
- Whether or not the broker can handle Proventus Ltd's range of order sizes.
- The broker's ability to maintain confidentiality and anonymity.
- The reputation of the broker.
- The stability and financial strength of the broker.

Due to the fact Proventus Ltd is based in Switzerland and many of the securities purchased are non-US securities, the brokers used by Proventus Ltd may not be registered with the SEC under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act").

Proventus Ltd's Chief Compliance Officer reviews the due diligence performed and approves or rejects the selection of each broker. On a regular basis, Proventus Ltd

monitors the services provided by the approved brokers, the quality of executions and research, commission rates, the overall brokerage relationship, and any other issues. Proventus Ltd will periodically reconsider whether placing a large portion of client trades through a particular broker continues to be in the best interest of our clients.

#### *Brokers Selected by the Custodian Bank*

Brokerage for transactions involving assets held at Swiss custodian banks generally must be made through the broker-dealer specified by the custodian bank and Proventus Ltd will have no ability to select the broker-dealer. In most cases, Swiss custodian banks act as a broker-dealer and/or maintain relationships with designated broker-dealers (including potentially an affiliate of the custodian bank). If required by the custodian bank, Proventus Ltd effectuates security transactions through the custodian bank or the broker or dealer designated by the custodian bank selected by the client. In such cases, Proventus Ltd cannot guarantee that the client will receive best execution or the best commissions because Proventus Ltd does not control these factors. Clients should be aware of the potential that the broker-dealer used for transactions may not be a registered broker-dealer under the Exchange Act.

Clients also should be aware of the following disadvantages associated with Proventus Ltd not having the ability to select the broker-dealer:

- Clients are solely responsible for negotiating the commission rates and fees paid to the Swiss custodian bank where such custodian bank requires Proventus Ltd to trade through its broker-dealer. Proventus Ltd will not be able to negotiate commission rates with the designated broker, and we will not have any negotiating leverage that results from the ability to trade away from a designated broker.
- Clients may pay higher commission rates than those paid by other clients whose trades are placed with a broker-dealer chosen by Proventus Ltd, may receive less favorable trade executions, and/or may not obtain best execution on their transactions.

- Accounts will not be able to participate in aggregated or block transactions with other clients who maintain their Accounts at other custodian banks. This can limit the ability to benefit from volume discounts or more favorable terms that might be available from aggregated transactions.

### *Client Directed Brokerage*

Generally, Proventus Ltd does not permit clients to direct brokerage other than as outlined above in the context of a custodian bank selected by the client that requires the use of a specified broker-dealer.

### *Block Trades*

Proventus Ltd generally will combine orders into block trades when purchasing the same security for multiple client Accounts. Such aggregated orders ("block trades") will be pre-allocated among the participating client Accounts. When selecting the participating accounts a variety of factors such as suitability, investment objectives and strategy, risk tolerance and / or the ability to invest additional funds will be taken into consideration. In determining the portion for each participating account further factors such as account's size, diversification, asset allocation and position weightings as well as any other appropriate factors might be of relevance. Participating Accounts in a block trade placed with the same broker or the same custodian bank generally will receive an average price and Transaction costs will be shared on a proportionate basis and as determined in the agreement with the custodian. This can either be a sharing on a pro rata basis, or covered with a "ticket fee", or based on the implemented digression model, whereas costs decrease in relation to the purchased quantity and include the application of a minimum rate, when shared costs are below a defined amount. Partial fills of transactions will be allocated on a pro rata share basis.

Because Proventus Ltd's clients maintain Accounts at different custodian banks and because many of these custodian banks mandate the use of a specific broker (see description above), often Proventus Ltd places more than one block trade for the same

security with more than one broker. Proventus Ltd transmits such block trades to more than one broker in a random pattern (i.e., Proventus Ltd does not favor one custodian bank or broker over another with respect to the order in which block trade orders are sent). The average price realized on a securities order placed with different brokers will vary broker to broker, and clients generally will receive different average prices and transaction costs for the same security order depending upon the custodian bank and the respective broker used in the block trade. Also note, since most Swiss custodian banks warehouse securities orders until filled, there may be delays in settlement between client Accounts depending on the practice of the respective custodian bank and/or broker.

### *Decision Making Process; Balancing the Interests of Multiple Client Accounts*

In making the decision as to which securities are to be purchased or sold and the amounts thereof, Proventus Ltd is guided by the general guidelines set up at the inception of the adviser-client relationship in cooperation with the client and a periodic review of the asset allocation. These general guidelines cover such matters as the relative proportion of debt and equity securities to be held in the portfolio, the degree of risk that the client wishes to assume and the types and amounts of securities to be held in the portfolio. Proventus Ltd's authority may be further limited by specific instructions from the client, which may restrict or prohibit transactions in certain securities.

Proventus Ltd may manage numerous accounts with similar or identical investment objectives or may manage accounts with different objectives that may trade in the same securities. Despite such similarities, portfolio decisions relating to client investments and the performance resulting from such decisions may differ from client to client. Proventus Ltd will not necessarily purchase or sell the same securities at the same time or in the same proportionate amounts for all eligible clients, particularly if different clients have selected different investment profiles, have materially different amounts of capital under management with Proventus Ltd or different amounts of

investable cash available. In certain instances such as purchases of less liquid publicly traded securities or oversubscribed public offerings, it may not be possible or feasible to allocate a transaction pro rata to all eligible clients, especially if clients have materially different sized portfolios. Therefore, not all clients will necessarily participate in the same investment opportunities or participate on the same basis.

#### Use of Soft Dollars

Proventus Ltd may maintain soft dollar arrangements, and to the extent it does it will only do so in accordance with the conditions of the safe harbor provided by Section 28(e) of the Exchange Act. Section 28(e) is a "safe harbor" that permits an investment manager to use brokerage commissions or "soft dollars" to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process.

Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data, certain valuation and pricing data and economic data); and advice from brokers on order execution.

Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an investment adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services

required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

#### Trade Errors

Although Proventus Ltd's goal is to execute trades seamlessly in the manner intended by the client and consistent with its investment decisions, Proventus Ltd recognizes that errors can occur for a variety of reasons. Proventus Ltd's policy in dealing with such errors is to:

- Identify any errors in a timely manner.
- Correct all errors so that any affected account is placed in the same position it would have been in had the error not occurred.
- The party responsible for the error will bear the gain or the loss resulting of the error and all associated costs to reverse the error.
- Proventus Ltd may offset a loss and all associated costs against the management or investment advisory fees it charges. This will be disclosed to the client.
- Evaluate how the error occurred and assess if any changes in any processes are warranted or if any continuing education is required.

The consequences and the required corrective measures may be different depending upon the nature of the error or the account affected.

### **Item 13. Review of Accounts**

All Accounts are reviewed regularly by the Client Advisors in an effort to ensure that they remain aligned with the client's investment plan and are positioned appropriately given current market conditions as part of Proventus Ltd's general investment process.

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

Proventus Ltd is a fee-only adviser. Proventus Ltd's policy is not to accept compensation from third parties relating to the investment advice it gives to its clients. To the extent Proventus Ltd receives a referral fee for an investment it recommends, it will reduce the

fees owed by the respective client to Proventus Ltd or will credit the respective client's account for the applicable amount. For these purposes, referral fees include marketing fees, discounts, finder's fees, service fees, including shareholder service fees, referral fees, 12b-1 fees or bonus commissions paid by mutual funds, privately offered funds, insurance products, variable annuities or other investment products paid to Proventus Ltd for recommending an investment, for investing client funds in such product or for marketing assistance or the performance of certain administrative tasks associated with making an investment.

Proventus Ltd may pay fees for client referrals. Such arrangements comply with the conditions and requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940.

Proventus Ltd's employees or associated persons may be invited to attend seminars and meetings with the costs associated with such meetings borne by a sponsoring brokerage firm or other party extending the invitation.

### **Item 15. Custody**

Proventus Ltd typically is given authority to have its fees directly deducted from a client's account. Consequently, Proventus Ltd is deemed to have custody of such funds. Proventus Ltd has established procedures to ensure the client's account is held at a qualified custodian in a separate account for each client. The client establishes the bank account directly and therefore is aware of the qualified custodian's name, address and the manner in which investments are maintained. Account statements are prepared by the custodian bank and delivered directly to the client or the client's representative at least quarterly. Generally, these statements include a listing of all valuations and all transactions occurring during the period. Clients should carefully review these statements and compare them with those received from Proventus and, when they have questions, contact either Proventus Ltd or the custodian bank. The custodian bank may provide, generally upon a client's request, a tax report for the client.

### **Item 16. Investment Discretion**

Proventus Ltd accepts discretionary authority to manage client accounts as described above. Clients rarely restrict the authority by which Proventus Ltd may act; however, each client has the opportunity to communicate any form of limitation in writing. In the context of a discretionary mandate, Proventus Ltd makes investment decisions without consulting the client by utilizing its limited power of attorney for the management of the account maintained at the custodian bank selected by the client. Proventus Ltd never has discretionary authority to select a qualified custodian for a client's account.

### **Item 17. Voting Client Securities**

#### **Proxy Voting**

Proventus Ltd generally does not have the authority to vote client proxies. Clients make arrangements directly with their custodian to vote proxies for securities or where proxy or other solicitation materials have to be sent to. If Proventus Ltd inadvertently receives any proxy materials on behalf of a client, Proventus Ltd will promptly forward such materials to the client.

Proventus Ltd will exercise investment authority for certain corporate actions (such as, but not limited to tenders, rights offerings, splits etc.) in connection with discretionary accounts. For advisory clients, corporate actions are discussed with them prior to the event taking place.

Clients who have questions about proxies may contact Proventus Ltd. for further information.

#### **Class Actions**

Proventus Ltd does not direct client participation in class action lawsuits. Proventus Ltd will determine whether to return any documentation inadvertently received regarding clients' participation in class actions to the sender, or to forward such information to the appropriate clients.

Proventus Ltd will not advise or act on behalf of clients in any legal proceeding, including bankruptcies or securities shareholder class action litigation involving securities held or previously held in client accounts. Accordingly, Proventus Ltd is not responsible for responding to, or forwarding to clients, any class action settlement offers relating to securities currently or previously held in the client account.

### **Item 18. Financial Information**

Proventus Ltd has not been the subject of a bankruptcy petition at any time. As of the date of this brochure we do not believe it is reasonably likely that any future liability will impact our ability to meet our contractual commitments to our clients.