



## **DGV SOLUTIONS LP**

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### **FORM ADV, PART 2A BROCHURE**

January 17, 2024

**This brochure provides information about the qualifications and business practices of DGV Solutions LP. If you have any questions about the contents of this brochure, please contact us at (612) 843-4360 or [info@dgvlp.com](mailto:info@dgvlp.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.**

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

We are a registered investment adviser. Any reference to or use of the terms "registered investment adviser" or "registered" does not imply that we or any person associated with us has achieved a certain level of skill or training.

## ITEM 2. MATERIAL CHANGES

Below is a summary of the material changes made to our business since our last annual update on March 24, 2023. In addition to the material changes described below, this update includes certain technical, stylistic or clarifying changes intended to enhance the overall Form ADV Part 2A.

- We have amended Item 4 – *Advisory Business* to update our disclosures regarding our ownership structure.

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## ITEM 4. ADVISORY BUSINESS

### Firm Overview

DGV Solutions LP (“we”, “our”, “us”) is a privately owned Delaware limited partnership located in Minnetonka, Minnesota, USA. We were founded in November 2014 and have been registered as an investment adviser with the U.S. Securities and Exchange Commission (“SEC”) since July 2015. Our principal owner is Jonathan D. Havice. Mr. Havice owns and controls us through the following entities, which Mr. Havice, directly or indirectly, exclusively controls and primarily or exclusively owns: DGV Solutions LLC; DGV Limited Partner LP; and DGV General Partner LLC.

### Advisory Services

#### *Institutional Investment Management*

We deliver institutional investment products and services to institutional separate account and private investment fund clients. We do not currently provide investment advisory services to natural person (i.e., “retail”) clients. For any particular client, the investment objective is to provide exposure to the client’s selected asset class or classes and, in the case of some clients, a wide variety of investment strategies and asset classes, with the goal of enhancing risk-adjusted returns, or to otherwise assist the client in its hedging, overlay or other customized portfolio objectives. To do this, we pursue a wide variety of strategies, asset classes and trades. These include strategies in which we trade in options, futures and other instruments on behalf of the client, and strategies designed to track the performance of third-party indices that we license. The instruments we trade may include options on or futures referencing an index, such as the S&P 500 Index, funds tracking the performance of an index, other exchanged-traded funds, single-name stocks and bonds, currencies, commodities and other instruments and assets. The options in which we trade have varying strike prices, expirations and other terms. In addition, we execute strategies related to non-options-based investment factors. These include tactical trading strategies, which may have short investment periods, and relative value and directional strategies, where we invest in securities of companies that we identify using systematic selection criteria developed and implemented by us from time to time. We also assist some clients in their hedging, overlay, rebalancing and other customized portfolio objectives. Finally, we continue to attempt to identify new strategies and trades that we believe may present investment opportunities for our clients and prospective clients or may otherwise assist them in achieving their own portfolio objectives. In the case of separate account clients, we tailor our advice within the strategies mentioned above to the extent we receive reasonable investment restrictions set forth in a client’s investment guidelines or policies. With regard to our private fund client, its investment strategy is specific to the fund, but is not tailored to individual investors in the fund.

More information on our strategies is contained below at Item 8 – *Methods of Analysis, Investment Strategies and Risk of Loss*.

#### *Private Investment Fund*

We sponsor and serve as investment manager to a private investment fund. More information on our private investment fund is contained in Item 10 – *Other Financial Industry Activities and Affiliations*.

### Assets Under Management

As of February 1, 2023, we had net discretionary assets under management of \$805,035,767 and net non-discretionary assets under management of \$69,093,773.

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

### **Institutional Investment Management**

Our fees for managing a separately managed account are generally based on a percentage of net assets under management in the account or the notional amount of the securities in the account and are set forth in our written investment advisory agreement with each separately managed account client. These fees are negotiable. The specific manner in which we charge fees is established in a client's written agreement with us. As a general matter, fees are charged monthly or quarterly in arrears or in advance, as set forth in the client's written agreement with us. We generally bill clients for our fees, although in certain circumstances we may permit clients to authorize us to deduct our fee directly from the client's account. In any month during which we render services for less than the entire month, the management fee will be prorated. If a client has pre-paid fees in advance and advisory services are terminated or otherwise amended before the end of the monthly or quarterly billing period, we will issue the client a refund payment or a credit for the refund on the next invoice issued to the client. We will calculate the amount of the refund by prorating the management fee based on the number of days in the billing period before advisory services were terminated and subtracting that amount from the pre-paid fees for such period. To the extent client assets are invested in exchange-traded funds and/or other third-party mutual funds, the client will pay two levels of advisory fees on those assets – our management fee and the client's share of the advisory fees and other fees and expenses assessed to all shareholders of such funds.

The client is responsible for all brokerage commissions and other costs associated with the purchase or sale of securities and other investment instruments, custody fees, interest, taxes and other account expenses in addition to the management fee described above. The client is also responsible for paying other expenses as specifically agreed and reflected in the client's written agreement with us, including those described below under "Expenses". To the extent reflected in the written agreement, we will be entitled to reimbursement on a quarterly or other periodic basis from the client for any of such expenses. Any such reimbursements will be billed separately and will not be debited from the client's account.

### **Private Investment Fund**

Our fees for advisory services to our private investment fund and the other expenses to be borne by those funds are set forth in each fund's confidential offering memorandum and governing documents.

We have in the past and may from time to time in the future enter into "side letter" arrangements with one or more of the investors in our fund. In such instances, these arrangements provide for terms of investment that are different, and in some cases, more favorable than the terms provided to other investors in the fund. These terms of investment include, without limitation, fees, information rights and voting rights.

Generally we do not charge fees on investments in a fund by us or any of our partners, officers or employees; however, we may determine to do so in the future.

### **Expenses**

As noted above, to the extent agreed to in a client's investment management agreement or as set forth in a private investment fund's offering memorandum and governing documents, clients will bear certain costs and expenses which may include any of the following, without limitation:

- all costs and expenses in connection with purchasing, holding, valuing, voting, selling or exchanging securities or other assets (whether or not ultimately consummated), including, but not limited to, brokerage fees, private placement fees, finder's fees and other execution and clearing

services, interest on borrowed money, proxy services and voting fees, costs and expenses in connection with the registration of investments under applicable securities laws and related legal, accounting and other fees and expenses;

- all fees and expenses in connection with the opening and maintenance of the account and any other bank, brokerage or custodial accounts related to the account;
- all legal, accounting, administration, valuation, auditing, bookkeeping and other professional and consulting fees and expenses;
- all director and officer, errors and omissions, fidelity bond and other insurance premiums for insurance for the benefit of clients and for our benefit to the extent covering our management of client accounts;
- the costs of research products and services that are of benefit to the account and not otherwise provided by brokers, including the costs of Bloomberg and other research subscriptions, software products and services, live market data feeds, pricing and valuation data and services and other research products and services;
- information technology systems, services, consulting and software, including without limitation systems, consulting and software for portfolio and order management, pre- and post-trade compliance, portfolio reconciliations and accounting, risk management, cash and collateral management and movements and other of our activities related to the account;
- all costs and expenses related to the legal and regulatory compliance of the account and of us to the extent related to our management of the account, including all costs and fees relating to preparation and filing of required regulatory filings and reports (including without limitation filings under the Securities Act of 1933, such as Form D, filings under the Securities Exchange Act of 1934, such as Section 13 filings, investment company related filings under the Investment Company Act and the Investment Advisers Act of 1940, such as Form PF, filings under the Commodity Exchange Act and state “blue sky” filings);
- all taxes applicable to the account on account of its operations;
- extraordinary expenses, including litigation-related expenses of a private investment fund client; and
- all costs, fees and expenses in connection with the liquidation of the account and its assets (applicable expenses are further described in each client’s investment management agreement with us and any private fund documents provided to investors).

We have multiple clients (including our private investment fund), and many of the expenses described above are paid by us and then allocated among and reimbursed by the clients that have agreed to pay the applicable expenses. We determine the allocation of these expenses among our clients, which creates the risk that we will favor one or more clients to the detriment of other clients in our allocation decisions. Our policy is to allocate expenses in a manner that over time is deemed fair, equitable and appropriate by us to the clients involved. Such allocation may be made pro rata based on the respective net asset values of the applicable client accounts or based on one or more other factors that we deem to be appropriate. Some of our clients are not required to pay all of the expenses that other clients have agreed to pay. In these cases, where the non-paying client receives a material benefit from the product or service to which the expense relates, we pay for the allocable share of such expense on behalf of the non-agreeing client.

To the extent there is a conflict or any inconsistency between the above examples and the actual language found in the investment management agreement or fund offering memorandum and governing documents, such investment management agreement and fund documents will prevail.

Please also see Item 12 – *Brokerage Practices*, which discusses our brokerage practices and the commissions that accounts pay for brokerage services.

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

We currently do not have accounts that pay performance-based fees, but we may in the future establish funds, manage accounts or otherwise have clients that are charged a performance-based fee or allocation. Performance-based fee and allocation arrangements create an incentive for us to recommend investments that may be riskier or more speculative than those that we would recommend under a different fee arrangement, because it could result in greater compensation to us. Such fee arrangements also create an incentive for us to favor higher fee paying accounts over other accounts that use the same investment strategy but charge only an asset-based management fee (known as “side-by-side management”), and to allocate the “best” investment opportunities only to the higher-fee account and the better-executed trades to the higher fee account. Given the highly liquid nature of our investment strategies, we do not believe this is a material risk.

We have addressed such conflicts of interests by adopting procedures addressing the allocation of investment opportunities and the execution of client trades that are designed and implemented to ensure that all clients are treated fairly and equitably over time and that no client is systematically disadvantaged. We will also review the investment activity and performance of any accounts charged a performance-based fee against the performance of similar accounts with different fee structures or rates to identify any differences.

Any performance fees would be disclosed in the offering documents of private investment funds that assess those fees or in the written investment advisory agreement with separately managed account clients, where applicable.



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

We generally provide advice to institutional clients and private investment funds.

The investment minimum for institutional separate account investment management services is \$50 million. The investment minimum for an investment in our private fund is \$1 million. We reserve the right to waive these minimums in our sole discretion.

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

We deliver institutional investment products and services designed to add value for institutional investors and our private fund clients. For any particular client, the investment objective is to provide exposure to the client's selected asset class or classes and, in the case of some clients, a wide variety of investment strategies and asset classes, with the goal of enhancing risk-adjusted returns, or to otherwise assist the client in its hedging or other customized portfolio objectives. To do this, we pursue a wide variety of strategies, asset classes and trades. These include strategies in which we trade in options and other instruments on behalf of the client, and strategies designed to track the performance of third-party indices that we license. The instruments we trade may include options on an index, such as the S&P 500 Index, funds tracking the performance of an index, other exchanged-traded funds, single-name stocks and bonds, currencies, commodities and other instruments and assets. The options in which we trade may have varying strike prices, expirations and other terms. In addition, we execute strategies related to non-options-based investment factors. These include tactical trading strategies, which may have short investment periods, and relative value and directional strategies, where we invest in securities of companies that we identify using systematic selection criteria developed and implemented by us from time to time. We also assist some clients in their hedging, overlay, rebalancing and other customized portfolio objectives. Finally, we continue to attempt to identify new strategies and trades that we believe may present investment opportunities for our clients and prospective clients or may otherwise assist them in achieving their own portfolio objectives. We tailor our advice within the strategies mentioned above to the extent we agree to reasonable investment restrictions set forth in a client's investment guidelines or policies. Private fund investment strategies are specific to each fund, and not tailored to the individual investors in the fund.

We describe below in more detail what we believe to be the material risks, characteristics and limitations involved with our investment strategies. If you have any questions regarding our strategies, you should ask us those questions and ensure that you receive answers with which you are fully satisfied. The risks described below or others could result in significant losses or even a complete loss of your investment. You should be prepared to bear all of the risks described below and others if you invest with us.

The descriptions of our strategies and the material risks, characteristics and limitations related to those strategies should not be understood to limit in any way the potential scope of our investment activities or the securities, instruments or other assets in which we may invest.

### Material Risks

The material risks presented by the strategies and investments we use are set forth below. Certain material risks will apply only to a client account that uses the instruments and asset classes identified. With respect to our private investment fund, additional information is contained in the offering documents of the private fund. This Form ADV does not purport to contain complete disclosure of all risks that may be relevant to the strategies we employ on behalf of our private fund or our other clients.

*Use of Options, Derivatives, Futures and Other Instruments.* Our strategies may use a wide range of instruments in its trading on behalf of an account. The risks set forth below generally apply to the extent an account uses the type of instrument identified. These instruments present significant risks, including without limitation risks associated with the following.

*Options Transactions.* The use of options involves a high degree of embedded leverage, which can involve greater risk, especially when not used to hedge the underlying security. Also, the selling of options can result in losses that are substantial, particularly in relation to the amount of premium collected for the sale. The selling of put options is a fundamental part of our primary strategies, and clients will bear significant risks associated with these sales. Also, the options markets have the authority to prohibit the

exercise of particular options, which if imposed when trading in the option has also been halted, would lock holders and writers of that option into their positions until the restrictions have been lifted. Options are contracts that give the holder the right, but not the obligation, to sell (puts) or buy (calls) an underlying asset at a given “strike price” before the expiration of the option. The price that the holder pays for the option is known as the option “premium.” Option premiums on many underlying assets may trade at values that are higher than the price movements in the underlying asset that are ultimately realized in the market. This may be due to several factors, including the preference of many market participants to buy rather than sell options as a form of insurance. Put options in particular may trade at higher prices than call options (measured relative to fixed modeling assumptions), as market participants may “overpay” to insure downside protection in particular. In the event that the holder of a put option written by a client exercises a put option written by the client or the written option expires “in-the-money” (i.e., the closing price of the underlying asset at the time of the option’s expiration is less than the option’s strike price), the client will be obligated to purchase the underlying asset at the put’s strike price or settle the option in cash by making a cash payment for the difference between the option’s strike price and the underlying asset’s closing price. The client will recognize a loss in connection with such exercise if the premium collected was less than the amount the option expired in-the-money or the amount at which we were able to sell the underlying asset in relation to the option’s strike price. In declining markets, clients will be subject to the losses on the assets underlying the options written by us on behalf of the client, less the amount of premium collected in connection with the option writing.

*Use of Derivatives.* Our strategies may use other derivative instruments, including without limitation, futures, swap agreements and forward contracts, and derivative techniques, including without limitation, synthetic short sales, for various hedging and/or speculative purposes. We may use derivative instruments for hedging purposes. The use of such instruments and techniques may result in leveraging the assets of an account, thereby exposing the account to significant risks. Among other things, the prices of derivative instruments can be highly volatile. Price movements of derivative instruments are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

*Use of Leverage.* Our strategies may trade and invest on a highly leveraged basis through the use of margin and the significant degree of leverage typically embedded in various derivative instruments, as well as through bank or other borrowings. Losses incurred on leveraged investments increase in direct proportion to the degree of leverage employed. In addition to increasing the risk of loss, the use of leverage also may result in the forced liquidation of positions (which otherwise might have been profitable) as a result of margin or collateral calls. Clients on whose behalf we incur leverage also incur interest expense on the borrowings used to leverage its positions. To the extent that a client’s assets have been leveraged through the borrowing of money, the purchase of securities or other assets on margin or otherwise, the interest expense and other costs and premiums incurred in relation thereto may not be recovered. If gains earned by the client’s portfolio fail to cover such costs, the value of the portfolio may decrease faster than if there had been no borrowings made by us on behalf of the client.

There can be no assurance that we will be able to maintain adequate financing arrangements under all market circumstances. As a general matter, the banks, broker-dealers and other counterparties that provide financing can apply essentially discretionary margin, haircut, financing, security and collateral valuation policies. Changes by the banks, broker-dealers and other counterparties in such policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances or governmental, regulatory or judicial action, breaches of any of financing agreement terms and covenants due to poor performance or

otherwise, may result in increased margin calls, loss of financing, forced liquidation of positions at disadvantageous prices, termination of swaps, repurchase agreements and other leveraging arrangements, as well as cross-defaults to agreements with other broker-dealers. Sudden restrictions of credit by the broker-dealer community has in the past resulted in forced liquidations of positions at distressed levels and consequently caused major losses for a number of private investment funds applying strategies similar to those implemented by us.

The financing available from banks, broker-dealers and other counterparties is particularly likely to be restricted or withdrawn in disrupted markets, including recently in the wake of the current COVID-19 pandemic (see “Acts of God and Geopolitical Risks” below). Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants at or about the same time. The imposition of such limitations or restrictions could compel us to liquidate all or a portion of a client’s portfolio at disadvantageous prices.

*Hedging Transactions.* Our strategies may involve accounts established for hedging purposes that are intended to attempt to mitigate risks associated with certain portfolio exposures. Our hedging strategies may include the use of derivative instruments, which involve a high degree of risk, as described more fully above. Such strategies are not intended to preserve capital or produce a return. Instead, our hedging investment activities are designed to mitigate risks in other parts of a client’s investment portfolio. If the portfolio risk being hedged against does not fully come to fruition, it is likely that a client will incur substantial or even total losses.

*Futures.* Our strategies may trade futures. The low initial margin deposits normally required in futures trading permit an extremely high degree of leverage. Accordingly, a relatively small price movement may result in immediate and substantial losses to an account to the extent it utilizes futures in its trading strategy. Although the use of leverage can substantially improve the return on invested capital, its use also may increase any adverse impact to which the investment portfolio of the account may be subject. Most U.S. futures exchanges limit fluctuations in some futures contract prices during a single day by regulations referred to as “daily limits.” During a single trading day, no trades may be executed in such contracts at prices beyond the daily limit. Once the price of a futures contract has increased or decreased to the limit point, positions can be neither taken nor liquidated. Futures prices have occasionally moved to the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent an account from promptly liquidating unfavorable positions and subject the account to substantial losses. Also, the Commodity Futures Trading Commission (“CFTC”) or exchanges may suspend or limit trading. Trading on non-U.S. exchanges may also be subject to price fluctuation limits and otherwise subject to periods of significant illiquidity. Trading in the forward currency markets is not subject to daily limits, although such trading is also subject to periods of significant illiquidity. The CFTC and U.S. exchanges have established limits referred to as “position limits” on the maximum net long or net short speculative futures position which any person may hold or control in particular futures contracts. Generally, banks, dealers and other counterparties do not impose such limits with respect to forward contracts in currencies. All accounts we manage that trade in futures are combined for position limit purposes. Non-U.S. exchanges may have similar position limits. With respect to trading in futures contracts subject to position limits (for example, oil), we may reduce the size of the positions which would otherwise be taken for an account to avoid exceeding the limits. If position limits are exceeded by an account in the opinion of the CFTC or any other regulatory body, exchange or board, we will liquidate positions in all accounts, as nearly as possible in proportion to respective amounts of equity in each account to the extent necessary to comply with applicable position limits. Any reduction in existing CFTC or exchange limits or the creation of new limits could have a material adverse effect on the performance of an account.

*Futures Trading on Non-U.S. Exchanges.* Our strategies may trade futures interests on exchanges located outside the United States, where the protections provided by U.S. regulations do not apply. Some non-U.S. commodity exchanges, in contrast to U.S. exchanges, are “principals’ markets” in which

performance with respect to a futures interest contract is the responsibility only of the individual member with whom the trader has entered into the contract and not of the exchange or its clearinghouse, if any. In the case of trading on non-U.S. exchanges, an account is subject to the risk of the inability of or refusal by its counterparties to perform with respect to their contracts with the account. An account also may not have the same access to certain trades as do various other participants in non-U.S. markets.

*Trading in Non-U.S. Companies and Markets.* Our strategies may invest in or otherwise be exposed to non-U.S. indices and companies and/or trade in non-U.S. markets. Trading in the securities of non-U.S. companies involves certain considerations not usually associated with trading in securities of U.S. companies, including political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gains or other income; the small size of some markets in foreign countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict investment opportunities. In addition, accounting and financial reporting standards that prevail in foreign countries generally are not equivalent to U.S. standards and, consequently, less information may be available to investors in companies located in foreign countries than is available to investors in companies located in the U.S. There is also less regulation, generally, of the financial markets in non-U.S. countries than there is in the U.S. For example, some non-U.S. exchanges, in contrast to domestic exchanges, are “principals’ markets” in which performance is the responsibility only of the individual member with whom the trader has entered into a contract and not of an exchange or clearing corporation. In such a case, an investor is subject to the risk of the inability of, or refusal by, the counterparty to perform with respect to such contracts.

*Trading in Emerging and Frontier Markets.* Our strategies may invest in or otherwise be exposed to emerging or frontier economies or securities markets. Emerging and frontier market countries generally are located in the Asia and Pacific regions, the Middle East, Eastern Europe, Central and South America and Africa. Political and economic structures in many of these countries may be undergoing significant evolution and rapid development, and these countries may lack the social, political and economic stability characteristics of developed countries. In general, the securities markets of these countries are less liquid, are subject to greater price volatility, have smaller market capitalizations, have less government regulation and are not subject to as frequent accounting, financial and other reporting requirements as the securities markets of more developed countries. These countries also have problems with securities registration and custody. Additionally, settlement procedures in emerging and frontier market countries are frequently less developed and reliable than those in the United States. Emerging and frontier market countries may also impose tax or regulatory burdens on foreign investors such as an account. As a result of these and other risks, investments in emerging and frontier markets generally present a greater risk of loss.

*Securities of Smaller Companies and Issuers.* Our strategies may invest without limitation in securities originated by smaller companies and issuers. Small companies may offer greater opportunities for capital appreciation than larger companies, but investments in such companies may involve certain special risks. Securities issued by small companies or issuers may be collateralized, making an actual foreclosure on and subsequent sale of these assets lengthy and inefficient. Small companies may have limited product lines, markets, or financial resources and may be dependent on a limited management group. While the markets in securities of such companies have grown rapidly in recent years, such securities may trade less frequently and in smaller volume than more widely held securities. The values of these securities may fluctuate more sharply than those of other securities, and an account may experience some difficulty in establishing or closing out positions in these securities at prevailing market prices. There may be less publicly available information about the issuers of these securities or less market interest in such securities than in the case of larger companies, and it may take a longer period of time for the prices of such securities to reflect the full value of their issuers’ underlying earnings potential or assets.

*Commodities Risk.* Exposure to the commodities markets may subject an account to greater volatility than investments in traditional securities. The value of commodity-linked derivative investments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or sectors affecting a particular industry or commodity, such as drought, floods, weather, embargoes, tariffs and international economic, political and regulatory developments.

*Currency Risk.* In trading on non-U.S. exchanges and markets and in currency trading generally, our strategies will be subject to the risk of fluctuations in the currency exchange rate between the local currency and the U.S. dollar and to the possibility of exchange controls. It is not anticipated that an account will hedge any international currency exposure that the account may have.

*Combination Transactions.* Our strategies may engage in spreads or other combination transactions involving the purchase and sale of related options and futures contracts. These transactions are considerably more complex than the purchase or writing of a single option. They involve the risk that executing simultaneously two or more buy or sell orders at the desired prices may be difficult or impossible, the possibility that a loss could be incurred on both sides of a multiple options transaction, and the possibility of significantly increased risk exposure resulting from the hedge against loss inherent in most spread positions being lost as a result of the assignment of an exercise to the short leg of a spread while the long leg remains outstanding. Also, the transaction costs of combination options transactions can be especially significant because separate costs are incurred on each component of the combination.

*Exposure to Various Assets Classes.* Our strategies can use a wide range of asset classes, whether that exposure occurs through options, futures or other derivative positions, direct investments or otherwise. These exposures present significant risks, any one or a combination of which could cause a client to lose all or a substantial portion of its investment. The risks set forth below generally apply to the extent an account is allocated to the asset class identified.

*Exchange Traded Funds (“ETFs”).* An account may trade in or otherwise be exposed to ETFs for hedging or speculative purposes. ETFs are baskets of securities formed to replicate an index — e.g., SPDRS replicate the S&P 500. There is typically some tracking error between an ETF and the index that the ETF attempts to replicate (as there would not be, for example, if an account acquired a total return swap on the index in question), and ETFs can be subject to periods of illiquidity. There can be no assurance that there will be adequate liquidity in the ETFs in which an account is exposed, or any option with respect to any such ETF, for us to effectively use ETFs in implementing our strategies.

*High Yield and Below “Investment Grade” Securities.* Our strategies may be exposed to bonds or other fixed income securities, including, “high yield” (and, therefore, high risk) debt securities. These securities may be below “investment grade” and are subject to uncertainties and exposure to adverse business, financial or market conditions which could lead to the issuer’s inability to make timely interest and principal payments. The market values of these securities tend to be more sensitive to individual corporate developments and general economic conditions than do higher rated securities.

*Trading in OTC Markets.* Our strategies may engage in over the counter (“OTC”) derivative transactions, such as currency forward contracts traded in the interbank market; options on currency forward contracts; and swap agreements. In general, there is much less governmental regulation and supervision of transactions in the OTC markets than of transactions entered into on organized exchanges. Most of the protections afforded to participants on U.S. and certain non-U.S. exchanges, such as daily price fluctuation limits and the performance guarantee of an exchange clearinghouse, will not be available in connection with OTC transactions. An account will be exposed to greater risk of loss through default than if it confined its trading to organized exchanges. An account may enter into OTC transactions with counterparties that are not as established, well-capitalized and creditworthy as the account.

*Forward Trading.* Our strategies may utilize forward contracts and options thereon which, 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. 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 an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market in which an account trades due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which an account would otherwise recommend, to the possible detriment of the account. Market illiquidity or disruption could result in major losses to an account. In the forward markets, margin deposits may be even lower than in other markets or may not be required at all. Such low or non-existent margin deposits are indicative of the fact that any trading in the forward markets typically is accompanied by a high degree of leverage.

*Bonds and Other Fixed-Income Securities.* Our strategies may invest in bonds and other fixed-income securities. Fixed-income securities include, among other securities: bonds, notes and debentures issued by corporations, and debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities. These securities may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. Fixed-income securities are subject to the risk of the issuer’s inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

*Interest Rate Risk and Duration Risk.* The value of the fixed-income securities generally can be expected to fall when interest rates rise and to rise when interest rates fall. Interest rate risk is the risk that interest rates will rise, so that the value of the security will fall. Duration measures the approximate price sensitivity of a security to changes in interest rates, and it is a significant measure of risk associated with a fixed-income security. Changing conditions and perceptions, including market fluctuations, may modify an obligation’s duration and, independently, have other adverse effects on the value of a security. The Federal Reserve Bank in the United States has raised interest rates from historic lows, but there can be no assurance as to the Federal Reserve Bank’s future actions related to interest rates and whether those actions could adversely impact the fixed-income markets.

*General Investment, Market and Economic Risks.* The success of our activities will be affected by general economic and market conditions, such as stock market declines and other trends, interest rates, availability of credit, volatility, inflation rates, economic uncertainty, changes in laws, national and international political circumstances and innumerable other factors. These conditions could affect substantially and adversely the business and prospects of an account. For example, a significant decline in U.S. equity markets will likely have an adverse impact on an account. In addition, the SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies that could affect an account. These factors may affect the level and volatility of securities prices and the liquidity of an account’s investments and may affect substantially and adversely the business and prospects of an account.

*Volatility of Securities Markets.* Securities prices may be volatile, and securities price movements are influenced by many unpredictable factors, including market sentiment, inflation rates, interest rate movements and general economic and political conditions. In addition, the expanded influence of social media platforms on the market, combined with the access to costless retail brokerage, can exacerbate the

volatility of particular issuers. An account may experience heightened volatility during turbulent market periods.

*Liquidity.* Some investments may lack liquidity or be thinly traded. This could present a problem in realizing the prices quoted and in effectively trading the position(s). Although private placements will not be a focus of our strategies, in certain situations we may invest in illiquid investments, which will reduce an account's overall liquidity and could result in significant losses. In addition, an account could be exposed to substantial losses should we find it necessary to liquidate positions during periods of illiquidity.

*High Portfolio Turnover.* An account's assets may be invested without regard for holding periods or turnover. As such, our strategies are expected to result in high turnover. Higher portfolio turnover generally involves additional expenses, including brokerage commissions, dealer mark-ups and other transaction costs on the sale of securities and reinvestment in other securities, and may result in adverse tax consequences.

*Institutional and Custody Risk.* The institutions, including brokerage firms, custodians and banks, with which we do business, or to which securities have been entrusted for custodial purposes, may encounter financial difficulties that impair our operational capabilities or the capital position of our clients. Securities and other assets deposited with custodians or brokers may not be clearly identified as being assets of the applicable client, and hence our clients may be exposed to a credit risk with regard to such parties. In some jurisdictions, the applicable client may only be an unsecured creditor of the broker in the event of bankruptcy or administration of such broker. Further, there may be practical or time problems associated with enforcing the client's rights to its assets in the case of an insolvency of any such party.

*Investment Selection.* The investments we choose for clients may decline in value. Investment selection risk may cause an account to underperform other accounts with a similar investment objective. We select investments in part on the basis of selection criteria developed and implemented by us from time to time. Those selection criteria do not include all of the information available to us regarding a particular security. In addition, we rely on information obtained from others regarding financial, economic, business and market conditions, factors and trends, and we will not be in a position to confirm the completeness, genuineness or accuracy of such information and data.

*Active Management Risk.* Our strategies are actively managed, and their performance therefore will reflect in part our ability to make investment decisions that are suited to achieving an account's investment objective. Due to its active management, an account could underperform investments with similar investment objectives.

*Cybersecurity Breaches.* We, our clients and our service providers are subject to a possible cybersecurity attack or breach. Cybersecurity is a broad term referring to the body of technologies, processes and practices designed to protect networks, computers, programs and data from attack, damage or unauthorized access. If a cybersecurity breach were to occur, substantial costs could be incurred, including without limitation those associated with: forensic analysis of the origin and scope of the breach; increased and upgraded cybersecurity; investment or other losses; identity theft; unauthorized use of proprietary information; litigation; adverse investor or client reaction; the dissemination of confidential and proprietary information; and reputational damage. Any such breach could expose us and any private funds we sponsor to liability as well as regulatory inquiry and/or action.

*Acts of God and Geopolitical Risks.* The performance of certain investments and client accounts could be impacted by Acts of God or other unforeseen and/or uncontrollable events (collectively, "disruptions"), including, but not limited to, natural disasters, public health emergencies (including any outbreak or threat of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, Ebola, or other existing or new pandemic or epidemic diseases), terrorism, social and political discord, geopolitical events, national and international



political circumstances and other unforeseen and/or uncontrollable events with widespread impact. These disruptions may affect the level and volatility of security prices and liquidity of any investments. There is risk that unexpected volatility will impair an investment's profitability or result in it suffering losses. Economies and financial markets throughout the world are becoming increasingly interconnected, which increases the likelihood that events or conditions in one country or region will adversely impact markets or securities industry participants in other countries or regions (see "Trading in Non-U.S. Companies and Markets" above). The extent of the impact of any such disruption on us and our clients, and the operational and financial performance of the investments held in client accounts, will depend on many factors, including the duration and scope of such disruption, the extent of any related travel advisories and restrictions implemented, the impact of such disruption on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. A disruption may materially and adversely impact the value and performance of any investment, our ability to source, manage and divest investments, and our ability to achieve clients' investment objectives, ultimately resulting in significant losses to clients. In addition, there is a risk that a disruption will significantly impact our operations, the operations of our clients, and their underlying portfolio investments, or even temporarily or permanently halt their operations.

## **ITEM 9. DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. We have nothing to disclose responsive to this Item.

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

We sponsor and serve as the investment manager to our sole private investment fund, DGV Enhanced U.S. Equity Fund LLC. This fund relies on an exemption from registration as an investment company under the Investment Company Act of 1940, as amended, and its securities are sold to investors under exemptions from applicable securities laws. More information concerning our private fund is available in the fund's confidential offering memorandum.

In this Item, investment advisers are also to disclose any relationships or arrangements with financial industry related persons that are material to the adviser's business or clients. We currently have no such related persons.

An affiliate of one of DGV Solutions LP's limited partners is also an advisory client for which we manage an account. This client does not have a control position with respect to us and does not influence our management or policies. With respect to our investments and investment strategies, this client is treated the same as other investors and clients that are unrelated to us.

We are also registered with the CFTC as a Commodity Pool Operator.

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

We maintain and enforce a code of ethics, which sets forth the standards of business conduct expected of each of our partners and employees, all of whom are deemed “access persons” under the code of ethics. The code of ethics includes provisions relating to:

- the receipt and provision of gifts and entertainment;
- business activities with outside companies;
- personal securities trading activities;
- receipt and use of material non-public information; and
- safekeeping of client and investor information.

All access persons must acknowledge the terms of the code of ethics annually or more frequently, as the code is amended. A copy of our code of ethics is available to current and prospective clients upon written request.

Our partners and employees may transact on their own behalf in securities in which one or more of the funds, accounts and other vehicles that we manage have a position. Our personal transactions in these securities are generally not done at the same time as transactions done on behalf of our funds, accounts and other vehicles, but they may be completed in close proximity. This presents potential conflicts of interest and the risk that our personnel may put their personal interests ahead of our clients’ interests. We attempt to mitigate this risk and these conflicts through our personal trading policy, which is part of our code of ethics and generally described below.

We include in our personal trading policy the requirement that all personal trades in securities in which we trade for our clients and derivatives of those securities be pre-approved by our chief compliance officer or other authorized personal trade approver. Generally, no personal trade in any of those securities is approved when we are trading in those same securities on behalf of a client. Finally, our personnel are required to report their personal security holdings on an annual basis and to submit quarterly transactions reports for all personal trades in securities.

## ITEM 12. BROKERAGE PRACTICES

Our management authority over some of our client accounts, including our private investment fund, includes the authority to select brokers on behalf of these clients and to determine the reasonableness of the commissions and other fees that these brokers will charge our clients. In these circumstances, we are not obligated to deal with any particular broker on behalf of our clients. We select executing brokers based on a number of factors that we deem relevant in determining whether the broker can provide best execution. These factors may include, without limitation:

- the price at which the transaction can be effected;
- the commission or mark-up to be charged;
- level of trading expertise;
- ability to prospect for and find liquidity;
- willingness and ability to commit capital and financing;
- difficulty of trade and a security's trading characteristics;
- size of order;
- liquidity of market;
- block trading capabilities;
- ability to provide information or services;
- research capabilities and research products or services provided in the past or expected to be provided in the future;
- availability of stock loan or other securities inventory;
- financial condition and creditworthiness;
- confidentiality provided by broker;
- execution quality;
- promptness of execution;
- quality of settlements;
- specialized expertise; and
- overall responsiveness.

We consider these same factors in determining the reasonableness of a broker's compensation. Although we seek reasonably competitive commission rates, our clients may not necessarily pay the lowest available commission or mark-up. We are not responsible for errors or omissions of any broker or dealer we select in good faith.

With respect to some of our institutional separate account clients, the client directs us, or we and the client agree, as to which broker-dealer to use in establishing an account and executing transactions. In such cases, the client establishes an account with the broker-dealer in the client's own name, and the client gives us trading authority over the account through or with the broker-dealer. In such cases, we may not be able to achieve the most favorable execution of transactions, and such directed brokerage may cost the client more money. The risks relating to directed brokerage include that the direction may result in higher commissions, greater spreads or less favorable net prices than if we selected the broker-dealer; that trades for the client's account may not be aggregated with similar trades for other client accounts and may not receive the benefits of aggregation of orders; that as a result of not being aggregated, client transactions may be executed after client accounts whose trades are aggregated and may receive less favorable prices; and that the client's account may not generate returns equal to those of other client accounts which do not direct brokerage.

In all cases, whether we select brokers on behalf of a client or the client directs us, or we and the client agree, as to the specific broker to use, we may also consider other factors in our selection or recommendation of a broker, such as the capital introduction or other services provided to our fund and us by that broker (i.e., "soft dollar benefits"). This creates an incentive for us to select brokers based on our interest in receiving those services because we will not have to produce or separately pay for these services, rather than on our clients' interests in receiving most favorable execution.

Although we do not have any formal arrangements to use client commissions to pay for research products or services, we request and receive proprietary research products and services generated by our clients' brokers. In 2022, we received the following products and services: proprietary research, execution analytics, capital introduction and execution and clearing services. These products and services are a factor in our selection of a particular broker to effect transactions on behalf of our clients.

When we use brokerage commissions (or markups or markdowns), which are ultimately paid by clients, to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research, products or services. This creates an incentive for us to select brokers based on our interest in receiving their research products and services, rather than on our clients' interests in receiving most favorable execution. As a general matter, many of the soft dollar services we receive from broker-dealers are used to service all of our accounts. However, any particular soft dollar service may not be used to service each and every client account and may not benefit the particular accounts that generated the brokerage commissions. We do not try to allocate soft dollar benefits to client accounts proportionately to the soft dollar commissions the accounts generate. Because the use of client commissions to pay for research or brokerage services for which we would otherwise have to pay presents a conflict of interest, we have adopted policies and procedures concerning soft dollars, which address all aspects of our use of client commissions and require that such use be consistent with Section 28(e) of the Securities Exchange Act of 1934, as amended, and provide lawful and appropriate assistance to us in the investment decision-making process, and that we determine that the value of the research or brokerage service obtained be reasonable in relation to the commissions paid.

We have multiple clients. As a result, we often purchase or sell a particular investment for two or more clients simultaneously and generally will aggregate those trades in an effort to obtain best execution at the best security price available. These aggregated transactions on behalf of more than one client increase the demand for the investment being purchased or the supply of investments being sold. As a result, there may be an adverse effect on the price or availability of such investments. In addition, the broker commissions related to these aggregated transactions are often paid by us and then allocated among the clients participating in the aggregated transactions. For administrative convenience, we often allocate these commissions pro rata based on the respective net asset values as of the beginning of the month of the client accounts participating in these aggregated transactions, rather than based on the actual number of securities bought or sold by each client in each such transaction. We believe that this method of commission allocation is, over time, fair, equitable and appropriate to the affected clients.

Our policy is to allocate advisory recommendations and the placing of orders in a manner that over time is deemed fair, equitable and appropriate by us to the clients involved. Such allocation may take into account a number of factors, including the amount of capital that we, in our sole discretion, determine that each client can appropriately commit to the related investment.

Given the anticipated liquidity profile of our strategies, we do not expect to enter into “internal cross trades” between two or more of our clients’ accounts in the normal course of business. However, we may cause an account to purchase securities or other assets from or sell securities or other assets to, or engage in other transactions with, another client account when we believe such transactions are in the best interests of the accounts. We will not engage in cross transactions involving a client account that is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

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

We review the objective and strategies of our client accounts on no less than an annual basis. We may review our strategies on a more frequent basis if we believe there has been a significant change in the markets in which the relevant strategy invests or in the economic prospects for that strategy.

The trades and positions of our client accounts are reviewed daily by our internal operations staff and, in the case of our fund, by a third-party administrator. In addition, the portfolio manager responsible for our investment strategy reviews daily the positions in client accounts (including separate accounts and our private fund). Our chief investment officer regularly reviews the trading activity and positions. Finally, our chief compliance officer reviews, on at least an annual basis, the process of trade and position review and reconciliation that we employ on behalf of our client accounts.

Investors in our fund receive monthly written account statements for their investment in our fund and annual audited financial statements for the fund. Separate account clients receive such written reports from us as agreed to in the written client agreement, which we generally provide at least quarterly unless otherwise agreed with the client.



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

We do not directly or indirectly compensate any third parties, including promoters, for client or investor referrals.

We receive certain soft dollar benefits in connection with our clients' payment of brokerage commissions. Please refer to Item 12 – *Brokerage Practices* above.

## ITEM 15. CUSTODY

We do not serve as the qualified custodian of any of client assets and do not maintain physical custody of any client securities or cash. However, we are deemed by applicable regulatory rules to have constructive custody of the assets of the private investment funds we sponsor and manage. With respect to the funds, we seek to satisfy the applicable regulatory requirements related to custody by, among other things, ensuring that each fund is subject to an annual audit by an independent accounting firm that is registered with and examined by the Public Company Accounting Oversight Board, and that audited financial statements are provided to fund investors within 120 days after the fund's fiscal year-end.

With respect to separate account clients, we do not currently have constructive custody of any client assets, which can arise if clients give us the authority to withdraw our advisory fees directly from their custodial accounts. If this situation arises in the future, clients should ensure they receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains their investment assets. We urge these clients to carefully review such statements and compare them to any such statements they receive from us. Clients should contact us using the information on the cover page if they have any questions about their custodial statements or if their qualified custodians stop sending them at least quarterly statements.

## ITEM 16. INVESTMENT DISCRETION

We have discretionary authority over the majority of our client accounts, including our private investment fund and most separately managed accounts. Our discretionary authority is established under the management agreement that we entered into with the fund and the owners of these accounts and, in the case of our fund, under the fund's limited liability company agreement and the subscription agreement that each fund investor signs, which includes a power of attorney. Any applicable limitations on our investment discretion with respect to our private investment fund is set forth in offering documents of the fund. The separately managed accounts over which we exercise investment discretion are generally subject to investment restrictions and guidelines developed in consultation with clients. These restrictions and guidelines may impose limitations on the types of securities that may be purchased and may limit the percentage of account assets that may be invested in certain types of securities. Additional policies may be set by a client's board or investment committee. With respect to the fund and other client accounts over which we have discretionary authority, we are generally authorized to make the following determinations, without client consultation or consent before a transaction is effected:

- Which securities or other investments to buy or sell;
- The total amount of securities or other investments to buy or sell;
- The broker or dealer through whom securities are bought or sold;
- The commission rates at which securities or other investment transactions for client accounts are effected; and
- The price at which securities or other investments are to be bought or sold, which may include dealer spreads or mark-ups and transaction costs.

## ITEM 17. VOTING CLIENT SECURITIES

Our management authority over our fund includes authority to vote the fund's securities, and in some cases we have accepted proxy voting authority in connection with managing other client accounts. Our current investment strategies include investing in securities that include voting rights. Therefore, we have adopted a proxy voting policy under which we or our agent will vote any proxy or other voting right on behalf of our fund and other clients on whose behalf we are voting the security. We have retained in the past, and may again retain in the future, a third-party proxy advisory firm to assist us in the voting of client securities, including by establishing automatic voting protocols consistent with our proxy voting policy, and in the retention of proxy voting records. Under our proxy voting policy, we or our proxy advisory firm generally vote in accordance with the voting recommendations of management without performing additional research or analysis. We believe such case-by-case research or analysis is not necessary and requires the dedication of resources that is inconsistent with the quantitative nature of our strategies. We have developed our proxy voting policy in light of our strategies and with a view toward serving the interests of our clients generally, and we believe our proxy voting policy is in the best interest of our fund and our clients generally. However, we encourage any client that has designated proxy voting authority to us to review and consider whether our proxy voting procedures are right for them. Our proxy voting policy and related voting records are available to clients upon written request. We are also available to answer any questions that clients may have regarding our proxy voting policy and how it might apply to the voting of specific securities that may be held in an account that we manage for the client. Clients may also give us different voting instructions or set parameters on voting in accordance with our proxy voting policy if they believe that a different approach to voting would better serve their interest.

We make our best efforts to identify and avoid material conflicts of interest in the voting of proxies. However, where material conflicts of interest arise, we are committed to resolving the conflict in our clients' best interest. In situations where we perceive a material conflict of interest, we will record the actions or steps we take to resolve the conflict. We may disclose the conflict to the relevant client and obtain the client's consent before voting; defer to the voting recommendation of the relevant clients or an independent third-party provider of proxy services; send the proxy directly to the relevant client for a voting decision; vote the proxy based on the voting guidelines set forth in our proxy voting policy; or take such other action in good faith to protect the interest of our clients.

## **ITEM 18. FINANCIAL INFORMATION**

Registered investment advisers are required to provide you with certain financial information or disclosures about the adviser's financial condition. We have no financial condition that impairs our ability to meet contractual and fiduciary commitments to clients and have never been the subject of a bankruptcy proceeding.