

# Steinberg Asset Management, LLC

## Part 2A of Form ADV The Brochure

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This Brochure provides information about the qualifications and business practices of Steinberg Asset Management, LLC (“SAM”). If you have any questions about the contents of this Brochure, please contact us at 212-980-0080. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

SAM is an SEC registered investment adviser. Registration of an investment adviser does not imply a particular level of skill or training.

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

## **Item 2. Material Changes**

This annual update replaces the annual update on March 31, 2023. This section only discusses material changes since the last annual update. We recommend that you read this Form ADV Part 2A in its entirety as it includes routine annual updating changes, clarifying changes, and enhanced disclosures.

### **Advisory Business**

On September 30, 2023, SAM closed its master-feeder equity private fund, Steinberg Partners Fund L.P.

On December 31, 2023, SAM closed its equity private fund, Sargasso Environmental Fund LP.

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## **Item 4. Advisory Business**

SAM is an SEC registered investment adviser organized as a Delaware limited liability company with its principal office and place of business in New York City. SAM was founded in 1982 and is owned by Michael A. Steinberg, certain of his family members and the Steinberg 2001 Family Trust. As of December 31, 2023, SAM had total regulatory assets under management of \$143,055,977, which includes proprietary accounts of SAM principals, and client accounts managed on a discretionary basis. SAM is led by Michael A. Steinberg and Justin S. Steinberg, who lead SAM's Investment Team.

SAM is a value equity adviser managing separate accounts in primarily all-cap value equity portfolios for institutions, pensions, endowments, foundations, and high net worth individuals. SAM also manages certain client accounts in small-cap, and mid-cap strategies.

Clients may request that SAM tailor its advisory services for them to include reasonable restrictions and special objectives which SAM will accommodate so long as, in the sole judgment of SAM, it has reasonably determined that the implementation of the request will not unduly interfere with or disadvantage the requesting client or other existing clients. Typical examples of client requests for their portfolio include:

- Limiting maximum individual position sizes;
- Limiting maximum sector exposure;
- Excluding "sin stocks" such as alcohol, tobacco and gaming companies;
- Excluding foreign ordinary stocks;
- Directing all or a portion of trading to certain broker(s); and/or
- Maintaining a specific cash position.

While SAM does not sponsor any wrap fee program, it does serve as a manager for other wrap fee programs offered by brokerage and financial service firms. SAM manages accounts which are part of wrap fee programs using the same investment philosophy and process as non-wrap fee program clients. In a wrap fee program, clients pay a single fee to the wrap sponsor which covers some or all of the following services: portfolio management, custody, administration, commissions for trades executed by the sponsor (or an affiliate of the sponsor), and selection of portfolio managers and monitoring of the managers' performance for continued inclusion in the sponsor's wrap fee program. The fee paid by the client is not based directly upon transactions in the client's account but is based on the asset value of the account. Wrap fee program clients either have a direct contractual relationship with SAM or receive SAM's advisory services through a contract entered into with the sponsor. Advisory fees may be paid to SAM by the wrap fee program sponsor or directly by the client. Wrap fee program clients generally instruct the advisor to execute transactions through the wrap fee program sponsor. Clients are advised that the sponsor may assess additional charges if our client directs trades through a broker-dealer other than the sponsor (or its affiliate).

SAM relies on wrap fee program sponsors and their financial advisers to fulfill certain responsibilities with regard to wrap fee program clients. Generally, wrap fee program sponsors may assume tasks such as: (1) ensuring SAM's advisory services are suitable for the client's investment

objectives; (2) performing any “know your customer” requirements imposed under applicable money laundering requirements; (3) monitoring and evaluating SAM’s performance; (4) delivery of SAM’s Brochure and Privacy Notice; and (5) communicating performance, reports and other information to the client.

The terms of each client's account in a wrap fee program are governed by the client's agreement with the wrap fee program sponsor, the brokerage account agreement and disclosures, and the sponsor’s investment advisory disclosure documents. Wrap fee program clients are urged to refer to these documents for further information and contact their financial adviser with questions about the wrap fee program. SAM provides personalized investment advice to clients, who may contact SAM with questions about the portfolio management services provided by SAM.

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

SAM’s advisory fees are agreed to in advance pursuant to a written investment advisory contract with separate account clients. SAM has adopted the following basic advisory fee schedule for new separate account clients: 1% of assets under management each year, payable quarterly. Clients may elect to pay either in advance or arrears. Clients may also elect to either be sent a quarterly invoice for SAM’s advisory services or have SAM deduct its fee directly from the client’s account.

Clients who pay SAM their quarterly advisory fee in advance who terminate their advisory agreement with SAM will receive a refund of the unused portion of their advisory fee. SAM prorates the advisory fee paid in advance to the termination date and refunds the balance.

In certain circumstances, SAM’s basic advisory fee may be negotiable. Certain clients pay advisory fees of less than 1% on some or all of the assets managed by SAM based on the strategy, size, or history of the client relationship with SAM or the relationship which the financial consultant advising the client maintains directly with SAM.

SAM calculates its quarterly advisory fee for separate account clients based on the value of each client portfolio as of the last business day of the quarter unless a client directs SAM to use a different calculation methodology. Client portfolios generally hold market-traded securities and may hold mutual funds, as well as cash and cash equivalents. SAM prices all market-traded securities and mutual funds with an independent third-party pricing service. The advisory fee for client accounts is charged on the asset value maintained in SAM’s accounting system as of the applicable billing date. In certain cases, the actual assets under management on a client’s custodial statements may differ from the amount shown in SAM’s system due to, among other things, pending transactions, interest earned on money market funds, accrued dividends, amounts deposited, and amounts withdrawn.

Clients pay brokerage costs, including commission charges, as well as any applicable custodial fees in addition to the advisory fee they pay SAM. Please see below the item entitled *Brokerage Practices* for further information on costs associated with trading.

Clients can choose how and whether cash balances are reinvested. Clients generally arrange independently for the cash balance of their portfolios to be invested in money market funds, other registered investment companies or cash management products offered by their custodian bank.

Such funds or products charge management fees or other fees that are in addition to the advisory fee charged by SAM.

Although not part of SAM's regular investment process, SAM may, from time-to-time depending on market conditions, invest client assets in mutual funds or exchange-traded funds (ETFs). Clients may also specifically request that SAM invest a portion of their portfolio in mutual funds or ETFs. SAM will continue to charge its normal advisory fees on those funds invested in mutual funds or ETFs, thereby resulting in a possible reduction in the client's performance because of additional expenses. Clients should be aware that they can invest directly in these mutual funds or ETFs to avoid incurring advisory fees in addition to the mutual fund and ETF expenses.

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

SAM charges some clients a performance fee in accordance with Rule 205-3 under the U.S. Investment Advisers Act of 1940, as amended. A performance fee may create a conflict of interest by incentivizing SAM to manage such an account in a more aggressive manner because SAM is compensated based in part on capital appreciation. In addition, SAM will receive compensation based on unrealized appreciation as well as realized gains in assets of a performance-based fee account.

Managing an account that pays a performance fee may also give SAM an incentive to favor that account over other accounts managed by SAM that do not pay a performance fee, as SAM may receive greater fees from its performance fee than from those accounts it charges only an asset-based fee. As a result, SAM could have an incentive to direct better investment ideas to, or to allocate or sequence trades in favor of, the performance fee account.

SAM has implemented policies and procedures to mitigate conflicts when managing accounts that pay different types of fees and ensure that investment ideas are distributed fairly, including pre-allocation of trades for client accounts. As part of its procedures, SAM conducts checks on the allocation of investment ideas and the prices received in securities transactions by separate accounts. The timing, nature, size, and type of orders vary for different accounts, including any concentrated portfolios, depending on the different investment or other considerations for different accounts. In addition, at times the concentrated portfolios may transact in the opposite direction of other separate accounts due to the concentration of securities and the specific needs of clients.

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

SAM generally provides investment advisory services to: (1) high net-worth individuals and their associated trusts, IRAs and 401(k) plans; (2) estates; (3) foundations, endowments and other charitable organizations; (4) pensions and profit-sharing plans; (5) other corporations or business entities, both foreign and domestic; and (6) pooled investment vehicles. SAM may also sub-advise certain separate accounts which are managed primarily by other investment advisers who have contracted with SAM for sub-advisory services.

SAM generally requires that an account have a minimum market value of \$1,000,000 to be accepted as an investment advisory client. SAM may waive account minimums in certain situations including, but not limited to, difficult market conditions or a historical relationship with a client or its adviser.

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

### **Investment Objective and Philosophy**

SAM's focus is on creating a portfolio of long-term investments with an asymmetric risk/reward profile. Portfolios are built from the bottom up through in-house fundamental research. We believe SAM's value-oriented approach, three-to-five-year investment horizon, and emphasis on asymmetric risk/reward opportunities result in a differentiated portfolio.

SAM typically aims to invest in 15-30 Steinberg Stocks in separate account portfolios but may invest in more or less for a client account. A "Steinberg Stock" is defined as a security that SAM has identified as having an asymmetric risk/reward profile where SAM believes the risk of permanent loss of capital is small while the opportunity to grow capital over a three to five-year investment horizon is significant. In addition, SAM typically identifies for each investment a "free or strategic call" which presents what SAM believes to be an incremental opportunity for an additional return in excess of the estimated annualized return target established by our analysts. A more detailed description of free calls can be found below.

### **Key components of SAM's philosophy:**

- Identify Steinberg Stocks through deep, bottom-up, fundamental research: SAM relies on in-depth, proprietary, fundamental research to identify what SAM has determined to be extraordinary risk/reward opportunities. Members of SAM's Investment Team analyze relevant business segments to assess both the possibility of loss of invested capital and the likelihood of achieving SAM's targeted returns.
- Capital preservation: Capital preservation is a key component of SAM's fundamental research and security analysis. Generally, investment decisions incorporate an understanding of the strength of a company's core business and earnings, its balance sheet and its sustainable free cash flow. SAM's analysis may also include an evaluation of a businesses' underlying assets, with the goal of limiting the risk of permanent impairment of invested capital.
- Invest with a three to five-year strategic time horizon: SAM invests in the context of a three-to-five-year investment horizon. SAM believes a longer-term investment horizon allows it to take a strategic view of a business. In addition, SAM believes its long-term approach may lead to opportunities that go unappreciated by the broader investment community.
- Identify free or strategic calls: SAM's in-depth fundamental research seeks to identify one or more "free" or "strategic calls" in each of its investments. Free calls are events or developments not currently reflected in the security price that represent the opportunity to increment the earnings power, asset value, and/or cash flows of the business thereby providing an opportunity for enhanced returns and, ideally, further tilting the risk/reward profile in our clients' favor. *SAM is not implying that an investor receives securities or options in securities for no cost by use of the term "free call".* Examples of free calls include new products or contracts, possible regulatory changes or

legislation that may result in market share gains or higher profitability, or the use of balance sheet cash and other assets to generate shareholder value. .

- Invest in the understandable: Key to SAM's philosophy and process is investing only in those businesses that it believes can be understood well enough to clearly evaluate the risk/reward profile with a high degree of confidence. SAM aims to avoid investing in businesses where it does not believe the risks cannot be appropriately sized and quantified. These risks can take many forms including: certain liabilities, for example, insurance companies with legacy liabilities; certain assets, held by financial institutions; product development risk as is often seen in technology or biotechnology companies.
- Build a concentrated portfolio: Absent specific restrictions, individual position sizes generally range from around 3% to 10% at purchase but they may be smaller or larger. In certain instances, SAM may increase the size of a position to 20% or more depending on the specific situation.
- Capitalize on short-term volatility: SAM views risk in the context of the possibility of permanent impairment of invested capital, as opposed to the academic definition of risk as volatility. SAM aims to use its understanding of the value of its investments to take advantage of short-term market volatility, both upside and downside, by building or reducing positions when the market price of the security becomes disconnected from SAM's assessment of its intrinsic value.
- Target high-quality management teams: Because SAM takes a longer term strategic view, it seeks high-quality management teams with demonstrated records of operating excellence and thoughtful capital allocation.

### **Absolute vs. Relative Returns**

While SAM is benchmark aware, the firm is not driven by a benchmark in its investment process. Investment decisions are based on seeking to provide the best absolute returns to clients over a three to five-year investment horizon.

SAM's approach is characterized by concentrated opportunistic portfolios built from the bottom up. SAM's fundamental analysis and focus on the strength of a company's core business, balance sheet, sustainable free cash flow and the value of its underlying assets are designed to preserve and grow capital across a market cycle and generate positive, absolute returns over a three-to-five-year investment horizon.

### **Investment and Research Process**

The investment process and philosophy described above are utilized in managed portfolios, which hold a concentrated portfolio managed under a mandate consistent with its investment objectives .

SAM's investment process and team are overseen by Michael A. Steinberg and Justin S. Steinberg who are actively engaged as analysts, as well as portfolio managers. They are tasked with three key objectives: (1) setting the investment strategy; (2) reviewing new opportunities and overseeing the research process; and (3) constructing the portfolio.



***Idea Generation and Preliminary Analysis:*** New ideas can come from any member of the investment team. New ideas often surface as a result of identifying an investment theme, secular trend, or event that will lead to unusually strong long-term earnings growth and/or a step-function increase in earnings or free cash flow for a business. Investment team members leverage their existing knowledge of industries and individual companies to find peers and explore adjacent industries or in an industry that might be of interest. SAM may also develop investment ideas (none of which constitute material non-public information) through discussions with company competitors, suppliers, vendors and customers. SAM often looks for businesses that it believes fall into one or more of the following four categories:

- **Earnings Compounders:** Businesses that are likely to compound earnings at an accelerated rate typically due to a favorable industry structure (i.e., oligopolies, duopolies, or monopoly-like) and/or pricing power
- **Strategic Assets:** Businesses that are characterized by unique or irreplaceable assets that allow for pricing power and, in turn, meaningful earnings growth and premium multiples
- **Superior Capital Allocators:** Businesses that have the ability and the willingness to use their balance sheet to return cash to shareholders through large share repurchases or meaningful dividends. Alternatively, these businesses can use the balance sheet to acquire strategic assets that will enhance their market position and provide outstanding cash on cash returns
- **Inflection Points:** Businesses that will experience a step-function increase in earnings and/or cash flows as a result of an inflection point in the business or industry (e.g. a regulatory change, change in the competitive environment, supply/demand imbalance etc.)

Once an investment idea is identified, SAM undertakes preliminary research to determine if the identified security represents an attractive investment opportunity consistent with SAM's approach.

***Full Research Analysis:*** SAM's research process is designed to uncover investments believed to have asymmetric risk/reward profiles (i.e., Steinberg Stocks). Fundamental analysis is SAM's primary research tool in selecting securities. Analysts may have periodic meetings with company management and representatives and may interview customers, competitors, and/or vendors whenever useful and practicable. The information garnered through this process is generally used to build a proprietary financial model for companies in which SAM invests. The modeling generally seeks to analyze relevant business units or segments in a way that sell-side research and the company itself may not. This modeling often includes possible strategic uses for cash, and, when appropriate, more than one valuation methodology is used.

SAM's process is focused on understanding the key revenue drivers, margin profile and financial posture of a company's business(es), and identifying the primary sources of earnings and positive free cash flows. SAM believes this method of analysis allows it to better understand businesses and engage in a more robust and involved conversation with management teams. Financial analysis is important in the development of long-term target values and is updated as appropriate in the analyst's ongoing reviews and discussions with company management.

***Portfolio Construction:*** After the due diligence process, the full thesis and body of research is reviewed by Michael A. Steinberg and/or Justin S. Steinberg to determine whether the company meets the criteria of a Steinberg Stock. Following SAM's deep, fundamental research process, which includes ongoing communication with company management, and a review of the asymmetric nature of the risk/reward profiles required for inclusion in the portfolio, investment decisions are reached. Once the decision to invest is made, a tactical decision is made regarding appropriate entry price and position sizing given the expected upside and the assessed risk/reward profile.

## **Risk Management**

SAM's fundamental risk/reward analysis is the driver of investment decisions. The Investment Team regularly reviews the risk/reward profile of each stock and the overall portfolio.

The fundamental risk/reward analysis takes into consideration the probability and magnitude of the investment's returns, as well as the probability and magnitude of the loss of capital under different scenarios.

Risk is also managed through position size. Position sizes generally range from 3% to 10% at purchase but may vary at SAM's discretion. In rare cases, SAM may increase the size of a position to 20% or more (as client guidelines dictate). Also, SAM generally limits sector exposure in a portfolio to a maximum of 25% (subject to client guidelines). Given SAM's absolute return approach, the Investment Team believes that absolute limits are a more effective way to manage risk than weighting relative to an index.

## **Sell Discipline**

The Investment Team analyzes whether the risk/reward profile of a security in the portfolio has shifted such that a position should be reduced or eliminated.

The portfolio managers will sell, or reduce the position size, if they believe that the investment thesis has failed to develop along the anticipated lines, the risk profile of the business has changed (e.g., due to an unexpected regulatory change, negative development in the competitive structure of the industry, or poor execution by management) or when they believe the return has been realized and the valuation of the company's shares largely or fully reflect the opportunities that were once believed to be unrecognized in the share price.

SAM views cash as a residual of the investment opportunities it identifies. SAM's cash holdings can vary greatly depending on its view of the investing environment and opportunity set, and SAM may have significant cash holdings as a result. Cash holdings across client portfolios may differ significantly.

## **Risks**

While SAM seeks to limit risk as described above, investing in any security involves the risk of loss that clients should be prepared to bear. A client or investor could lose money over short or even long periods and should expect the value of the portfolio and total return to fluctuate within a wide range that may exceed fluctuations of the overall stock market. SAM seeks to manage this risk appropriately. SAM in no way guarantees performance or results and past performance is not indicative of future results. Clients and investors should be aware of the following risks:

- ***Equity Markets and Selection Risk.*** Equity markets may decline in value sharply and unpredictably. The stocks selected by SAM may underperform the equity indices or other funds with similar investment objectives and investment strategies. Equity market risk is the chance that stock prices overall will decline.
- ***Stocks of Small and Mid-Size Companies Risk.*** SAM often invests in small and mid-cap stocks. The stocks of companies with small and mid-sized market capitalizations typically involve more risk than the stocks of larger more established companies. These smaller companies may have more limited financial resources, narrower product lines, and may have less seasoned managers. In addition, stocks in these companies may trade less frequently and in lower share volumes, making them subject to wider price fluctuations. Less liquidity in small and mid-size securities may hinder SAM's ability to sell these securities at the most opportune time compared to larger, more liquid companies.
- ***Concentration Risk.*** Clients may have concentrated portfolios, meaning that client portfolios may hold fewer securities than a diversified portfolio and may take larger positions in individual securities.
- ***Value Investing.*** Value stocks can react differently to issuer, political, market and economic developments than the market as a whole and other types of stocks. Value stocks tend to be inexpensive relative to their earnings or assets compared to other types of stocks. However, value stocks can continue to be inexpensive for long periods of time and may not realize their full value.
- ***General Foreign Risk.*** Investments in foreign stocks and stocks issued by U.S. companies with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include: (1) fluctuations in foreign currencies; (2) withholding or other taxes; (3) trading, settlement, custodial and other operational risks; (4) geopolitical risk; and (5) the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments more volatile and potentially less liquid than U.S. investments.
- ***Cybersecurity Risk.*** With the increased use of technologies such as the internet and the dependence on computer systems to perform business and operational functions, portfolios and their service providers may be prone to operational and information security risks resulting from cyber-attacks and/or technological malfunctions. In general, cyber-attacks are deliberate, but unintentional events may have similar effects. Cyber-

attacks include, among others, stealing or corrupting data maintained online or digitally, preventing legitimate users from accessing information or services on a website, releasing confidential information without authorization, and causing operational disruption. Successful cyber-attacks against, or security breakdowns of SAM, or a custodian, or other affiliated or third-party service provider may adversely affect portfolios. For instance, cyber-attacks may interfere with the processing of transactions, affect the ability to calculate net asset values, cause the release of investor information or confidential information, impede trading, cause reputational damage, and subject SAM or its clients to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and additional compliance costs. Cyber-attacks may render records of assets and transactions and other data integral to the functioning of SAM inaccessible or inaccurate or incomplete. SAM may also incur substantial costs for cybersecurity risk management to prevent cyber incidents in the future. SAM and its clients could be negatively impacted as a result. While SAM has established business continuity plans and systems designed to minimize the risk of cyber-attacks using technology, processes and controls, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified given the evolving nature of this threat. SAM (on its own behalf and on behalf of its clients) relies on third-party service providers for many of its day-to-day operations and will be subject to the risk that the protections and protocols implemented by those service providers will be ineffective to protect SAM from cyber-attack. Similar types of cybersecurity risks also are present for issuers of securities in which SAM invests, which could result in material adverse consequences for such issuers, and may cause investments in such securities to lose value.

- ***Force Majeure and Other Risks.*** Investments may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, labor strikes, failure of technology, government macroeconomic policies, social instability, etc.). Some force majeure events may adversely affect the ability of a party (including a service provider) to perform its obligations until it is able to remedy the force majeure event. These risks could, among other effects, adversely impact the cash flows available from a portfolio company. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries such as the United States in which clients may invest. Prolonged changes in climatic conditions may also have a significant impact on the revenues, expenses, and conditions of certain client investments.

## **Item 9. Disciplinary Information**

SAM and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

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

SIAM, a Mauritius limited liability company and exempt reporting adviser, serves as investment manager to the Steinberg India Emerging Opportunities Fund, Limited (the “India Fund”) which invests primarily in publicly traded Indian securities with small and mid-size market capitalization.

SIAM is a wholly owned subsidiary of SAM. SAM receives management fees from the India Fund and performance fees from the India Fund through an affiliated entity. Michael A. Steinberg is a Director of the India Fund and Justin S. Steinberg is a Director of SIAM. SAM may recommend that certain clients invest in the India Fund. Interests in the Fund are exempt non-public offerings under the Securities Act of 1933, and the Fund is exempt from regulation under the Investment Company Act of 1940. Accordingly, interests in the Fund is offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements for private transactions within the United States. More information about the Fund is available in its offering documents. This Brochure and the material contained herein is not meant to be, nor shall it be construed as, an offer or solicitation of an offer for the purchase or sale of the India Fund.

SAM has entered into a Services Agreement with an unaffiliated investment adviser, whereby SAM provides certain non-exclusive bookkeeping, accounting, trading, reporting, and other support services to the adviser for mutually agreed upon fees paid by the adviser to SAM. SAM maintains separate policies and procedures to address potential conflicts of interest that may arise as a result of these services. There is a possibility that SAM’s clients could be impacted in the event of an issue of receipt of material nonpublic information (“MNPI”) from the unaffiliated investment adviser resulting in a trading restriction. SAM maintains procedures designed to prevent insider trading which include a procedure that in the event of an issue of an employee of SAM coming into receipt of MNPI, the employee is required to notify Steinberg's Chief Compliance Officer so that the Chief Compliance Officer is enabled to take appropriate action.

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

SAM has adopted a Code of Ethics (“Code”) to mitigate potential conflicts of interest. All SAM employees are covered by the Code. Below is a summation of the intent of SAM’s Code which is designed to ensure that its principals and employees:

- Act with integrity and in an ethical manner with the public, clients, prospective clients, employers and other participants in the global capital markets;
- Place the interests of clients, and the interests of SAM above their own personal interests;
- Adhere to the fundamental standard that employees should not take inappropriate advantage of their position;
- Avoid any actual or potential conflict of interest;

- Conduct all personal securities transactions in a manner consistent with the Code;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions and engaging in other professional activities; and
- Comply with applicable provisions of the federal securities laws.

SAM's Code includes formal policies and procedures governing personal trading, prevention of insider trading, political contributions, receipt and giving of gifts, and outside activities.

Subject to Code requirements, SAM's principals and employees may actively engage in trading on behalf of their own personal accounts, including in securities also held by client accounts. SAM also recommends securities in which it or its related persons have substantial ownership. This practice may create a situation where SAM's employees are in a position to materially benefit from the sale or purchase of those securities and thus pose a potential conflict of interest. Prohibited practices include "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation), "front running" (i.e., personal trades executed prior to those of the SAM's clients to take advantage of potential price changes or limited liquidity resulting from subsequent SAM trades in the same security), as well as other potentially abusive practices. SAM's personal trading policies and procedures are reasonably designed to prevent and detect such abuses.

At no time may SAM's principals or employees short individual securities or related securities held in client portfolios or take derivative positions that have the same economic effect as 'betting against' client held securities. Additionally, employees must hold for at least 30 days any security held in client portfolios and employees may not trade in a security if it is a potential investment for client portfolios or is otherwise restricted from trading by the Chief Compliance Officer. SAM's personal trading policy and procedures also require that employees: (1) pre-clear certain personal securities transactions; (2) report and certify personal securities transactions on at least a quarterly basis; (3) certify personal securities holdings (initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest and certify such holdings; and (4) report any violations of the Code to the Chief Compliance Officer.

Certain SAM principals and employees trade securities for their own account, but SAM itself does not trade securities for its own account.

A complete copy of SAM's Code may be obtained upon request by any current or prospective client by contacting SAM's Chief Compliance Officer, Steven Feld, at 212-980-0080.

SAM has implemented policies and procedures to mitigate conflicts arising out of these investments to ensure that investment ideas are distributed fairly, including pre-allocation of trades for client accounts. As part of its procedures, SAM conducts regular checks on the allocation of investment ideas as well as the timing of and the prices received for securities transactions by separate accounts.

## **Item 12. Brokerage Practices**

SAM typically has full authority to select brokers and negotiate commissions for client trades for its discretionary clients. In certain instances, such as for clients from wrap fee programs, SAM will accept direction from clients or agree to limitations with respect to SAM's authority as to which brokers are to be used and what commissions are to be paid. Any such direction or limitation must be in writing.

Separate account clients which, in whole or in part, direct SAM to use a particular broker to execute transactions for their accounts should be aware that, in so doing, they may adversely affect SAM's ability to, among other things, obtain volume discounts on bunched orders or to obtain best price and execution. Consequently, the cost of directed transactions may be greater. Further, clients who direct SAM to use particular brokers may not participate contemporaneously, or at all, in certain opportunities available to other clients. Transactions for directed accounts are placed after transactions for non-directed accounts have been completely filled. As a result, directed accounts may receive the same securities at materially different prices and may not receive the manager's full intended investment experience. SAM has also implemented a trade rotation procedure with the goal of providing equal treatment to all clients over time, regardless of the broker or custodian that the client has selected. Finally, clients should be aware that the aggregate impact of requiring directed brokerage may result in overall performance that differs from accounts which do not direct brokerage. In addition, SAM does not accept responsibility to seek best execution when the client has directed brokerage.

With respect to transactions over which SAM has full discretion to select brokers, it is SAM's policy, consistent with investment considerations, to seek the most favorable price and execution for brokerage orders in light of current market conditions. Commissions on brokerage transactions are generally subject to negotiation.

SAM seeks, but is not obligated, to bunch orders for the purchase or sale of the same security for client accounts where SAM deems this to be appropriate, in the best interests of the client accounts, and consistent with applicable regulatory requirements. When a bunched order is filled in its entirety, each participating client account will participate at the average share price for the bunched order on the same business day, and transaction costs shall be shared pro rata based on each client's participation in the bunched order. When a bunched order is only partially filled, the securities purchased will be allocated on a pro rata basis to each account participating in the bunched order based upon the initial amount requested for the account, except as described below, and each participating account will participate at the average share price for the bunched order on the same business day. A strict pro rata allocation may cause certain accounts that are custodied with broker-dealers that charge per transaction to pay additional ticket costs if the order is filled through multiple partial transactions.

Exceptions to strict pro rata allocation of partially filled orders may include, without limitation, the avoidance of a client's holding odd lots or similar de minimis numbers of shares, avoidance of discrepancies in percentages of ownership in securities across accounts, delays in broker responsiveness or communications, or the payment of additional ticket costs that may be charged by broker/dealer custodians. In such cases, SAM will increase or decrease the amount of securities

that would otherwise be allocated to each account by reallocating the securities in a manner which SAM deems fair and equitable to clients over time.

SAM trades from time to time in over-the-counter (“OTC”) equity securities for certain clients. Most equity securities traded by SAM OTC are traded on an agency basis or with a commission. On occasion, SAM will place OTC equity transactions on an agency basis where there may be a “market maker” available; as such, clients will be charged commissions in addition to the broker's spread which is included in the offer or bid price of the security.

In choosing brokers to effect transactions, SAM may consider any research, statistical or other information or services, including their coverage of various industries, the information systems offered by such brokerage firms and the timing and accuracy of their delivery of statistical information provided by such other brokers which enhance SAM's investment research and portfolio management capability generally.

Accordingly, SAM shall not be required or deemed to have the duty to obtain the lowest brokerage commission rates available or to combine or arrange orders to obtain the lowest brokerage commission rates available on transactions for its clients. If the amount of commission charged by a broker is reasonable in relation to the value of the brokerage functions and services provided by such broker to SAM, SAM may direct brokerage transactions to such broker notwithstanding the fact that such broker charges higher commissions than those another broker might charge.

In evaluating brokers for executing trades, SAM considers market conditions, the nature of the order, and various other factors, including qualitative considerations

### **Soft Dollars**

SAM also effects transactions through a broker which pay for research and brokerage services provided by third parties in accordance with Section 28(e) of the Securities Exchange Act of 1934, commonly known as soft dollars. SAM receives a benefit when it utilizes client brokerage commissions to obtain research or other products and services because SAM does not have to produce or pay for the research or other product or service. These services may consist of written or oral research reports from either brokers directly or independent research providers regarding particular companies, industries or general economic conditions or of other services which aid SAM in fulfilling its investment decision-making responsibilities. These services include but are not limited to: (1) security pricing services; (2) electronic information management systems, including SAM's trade order management system; (3) data sets and tools used to manipulate such data which are employed to identify and analyze securities, including risk modeling and portfolio analysis; (4) products used to communicate trade information to brokers and other parties in order to properly settle trades; and (5) specialized financial and industry publications and news services.

Research services furnished or paid for by brokers and through whom SAM effects transactions are used by SAM in servicing all clients and not all such services may be used by SAM in connection with the clients which paid commissions to the brokers providing the services. Commissions paid to brokers providing such research may be higher than those charged by brokers not providing such



services. SAM has multiple commission capture arrangements, or soft dollar programs, in place. These may vary from time to time. SAM believes the commission rates and soft dollar credit percentages are reasonable in relation to the value of the brokerage functions and services provided to SAM.

On occasion, a product or service furnished to SAM by a broker-dealer is useful in making investment decisions regarding client accounts and also provides administrative or other non-Section 28(e) eligible assistance to SAM, sometimes known as ‘mixed-use’ items. Under such circumstances, SAM makes a reasonable allocation as follows: the portion of such service or specific component which provides assistance to SAM in its investment decision-making responsibilities is obtained from the broker-dealer with commissions paid on client portfolio transactions, while the portion of such service or specific component which provides non-research assistance is paid for by SAM with its own resources.

SAM may have an incentive to select a broker based on our interest in receiving research or other products or services, rather than on client’s interest in receiving the lowest commission. SAM will effect transactions through brokers providing third party research services only if the commissions charged by such brokers are reasonable in relation to the value of the brokerage functions and research services provided and only if the execution prices received on such trades are comparable to prices received from execution only brokers on similar trades. Also, research or soft dollar credits received from trading by one client has been and will in the future be used for the benefit of other clients.

For those accounts custodied at Pershing Advisor Solutions, LLC, and certain other custodians/broker-dealers, SAM may “trade-away” from the custodians/broker-dealers to generate soft dollar credits at another broker-dealer or to seek best execution in the best judgment of SAM considering all the facts and circumstances of the trade. Accounts subject to such trades would incur trade-away fees.

### **Trade Errors**

SAM has internal controls in place to prevent trade errors from occurring. On those occasions when such an error nonetheless occurs, it is SAM’s policy to resolve any error identified in a separate client account in a manner which ensures that the account is made whole, and no loss is borne by a client. SAM prohibits the use of soft dollars to resolve trade errors. If a trade error is discovered prior to settlement, and the trade cannot practicably be broken, the trade will be settled in an SAM trade error account maintained at the broker/dealer. Securities acquired in an error account are not held for investment, but rather an offsetting transaction will be executed in the error account to either sell or cover the securities transacted in error, at SAM's discretion, as soon as practicable. SAM may elect to close such a position while client orders to buy or sell are pending. A trade error in one client's account may be corrected through reallocation of the amounts of securities that had been allocated to various client accounts so long as it is effected prior to settlement. Additionally, a transfer involving a post-settlement adjustment involving a purchase or sale between accounts of securities to another client's account may occur. Any reallocation or other transfer must be approved by the CCO and represent a legitimate investment decision by the Portfolio Manager in overall best

interest of each account involved, and then only if the reallocation or other transfer is done without loss to the transferee account. SAM will maintain a record of each trade error, including information about the trade and how such error was corrected.

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

SAM's investment team monitors SAM trades on a daily basis and reviews portfolio holdings as described above in *Methods of Analysis: Investment Process and Research Process*. In addition, client accounts are also reviewed periodically by SAM's senior management and by Compliance for adherence to guidelines and client objectives.

Clients receive written and/or online access to monthly or quarterly account statements directly from their custodian. Custodians serve as the official source of books and records for all client accounts. Clients are urged to compare reports provided by SAM with the statements provided by their custodian.

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

SAM does not compensate anyone for client referrals.

### **Item 15. Custody**

All client account assets are custodied by unaffiliated broker/dealers or banks. SAM believes based upon due inquiry that all clients either receive written statements directly from their custodian no less frequently than quarterly or receive online access to their account, including monthly or quarterly statements, after following their custodians' procedures for giving consent to electronic delivery/access. SAM encourages clients to compare information contained in any reports provided by SAM with their custodian statements.

### **Investment Discretion**

SAM generally has full discretionary authority with respect to its investment advisory accounts. Clients may request that SAM tailor its advisory services for them to include restrictions and special objectives which SAM will accommodate so long as SAM believes implementation of the request will not unduly interfere with or disadvantage the requesting client or other existing clients.

### **Voting Client Securities**

SAM's clients typically delegate to SAM the authority and responsibility to vote proxies for the voting securities held in their accounts. Where SAM has been granted the authority and accepted the responsibility for voting proxies, it will determine whether and how to do so, in the case of individual proxies, in accordance with its fiduciary obligations and its Proxy Voting Policy and Procedures (the "Policy") and the proxy voting guidelines adopted under the Policy. SAM reserves the right to amend its Policy at any time.

When SAM (or a delegate) votes proxies it will do so in the best interest of its clients (defined, for this purpose, as in the best interest of enhancing or protecting the economic value of client accounts and in accordance with its guidelines), considered as a group, as SAM determines in its sole and

absolute discretion and in accordance with its guidelines. SAM has retained a third-party vendor to assist with administrative aspects of the proxy voting process, as well as to provide research and vote recommendations based on guidelines it has established. SAM consider numerous factors in voting decisions, including the recommendations of the third-party providers. However, SAM may, at its discretion, vote shares in a manner contrary to the third party's recommendation if SAM feels that is in the best interest of clients. In the unlikely event that SAM is required to vote a proxy that could result in a conflict between clients' best interests and SAM's best interests, SAM will vote according to the third-party's recommendation.

SAM generally will not accept proxy-voting authority from a client if the client seeks to impose client-specific voting guidelines that may be inconsistent with SAM's guidelines or with the client's best economic interest in SAM's view.

SAM does not opine on or complete materials related to client participation in class actions. Where possible, SAM will attempt to forward class action materials to clients directly should such materials be received by SAM.

Clients can obtain a complete copy of SAM's Policy, as well as reports on how particular proxies were voted, by contacting the CCO at 212-980-0080.

## **Financial Information**

SAM has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.