

# Rosenwald Capital Management, Inc.

## Part 2A of Form ADV

March 30, 2024

### Item 1: Cover Page

This brochure is offered to you, our current or prospective client or investor, to provide information on our business qualifications and practices as an investment adviser.

Rosenwald Capital Management, Inc. (“RCM” or “we”) is a disciplined, value-oriented investment management firm committed to capital preservation and long-term growth. RCM is headquartered in Redondo Beach, California.

We have been a registered investment adviser with the United States Securities and Exchange Commission (“SEC”) since our founding in 1984, although we were an SEC-relying adviser of Dalton Investments LLC from March 2012 through February 2018. Effective August 12, 2020, Rising Sun Management Ltd. (“Rising Sun”) is a relying adviser of RCM. The format and content of this brochure seeks to satisfy certain regulatory obligations required of all SEC-registered investment advisers.

**This brochure has not been verified or approved by the United States Securities and Exchange Commission or by any other federal, state or foreign authority. In addition, our registration as an SEC investment adviser does not imply a certain level of skill or training.**

If you have questions regarding this brochure or any other information that we have provided to you, please contact us at the following:

121 West Torrance Boulevard, Suite 100

Redondo Beach, CA 90277

Website: None

Email: [operations@rosenwaldcapital.com](mailto:operations@rosenwaldcapital.com)

Additional information about us is also available on the SEC’s website at:

[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Material Changes**

None.

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## **Item 4: Advisory Business**

### **A. Firm Description**

We are a disciplined, value-oriented, global investment management firm committed to capital preservation and long-term growth. Since our founding, our strategies have focused on investments in global securities (*e.g.*, debt, preferred and common equity, convertibles, liquidation units), real estate, pooled investment funds, venture capital investments, and private offerings. We generally look for less crowded areas of the markets with the objective of generating positive long-term returns on an absolute and relative basis.

We formed RCM as a New York corporation in 1984 and Rising Sun as an exempted limited company in the Cayman Islands in 2019. Mr. James B. Rosenwald III is the President of RCM. The Rosenwald Family Trust owns 100% of RCM. RCM owns the majority of Rising Sun.

### **B. Advisory Services**

RCM provides discretionary investment advisory services to a select group of domestic and foreign institutional clients including insurance companies and charitable organizations. The investment parameters of each such separately managed account will vary by strategy, client specific guidelines and applicable regulations.

In addition, RCM also provides discretionary investment advisory services to commingled funds. The investors for the funds include domestic and foreign institutional investors, high net-worth family offices and individuals, and directly or indirectly include Mr. Rosenwald, members of his extended family and trusts or other entities established for any of the foregoing persons' benefit.

As of the date of this document, Rising Sun serves as an investment adviser to the Nippon Active Value Fund plc (“NAVF”) listed on the London Stock Exchange and one privately-offered, pooled investment vehicle, which is managed by Dalton Investments, Inc. Rising Sun also may serve as an investment adviser for other pooled investment vehicle(s) in the future.

Commingled funds are offered only by private placement and are limited to accredited and qualified investors as defined by the SEC.

We have included in our ADV Part 1A the list of our private funds managed on a discretionary basis. In addition to the fund disclosures, Part 1A includes information about our affiliated entities that are the general partners to funds we manage. Part 1A is available on the SEC's website or by contacting us.

### **C. Customized Services**

Our advisory services will vary by client, but we typically have broad and flexible investment parameters and are generally permitted to make investments outside of the core strategies when the opportunity arises and the investment fits our investment philosophy.

For example, certain client accounts and funds may utilize margin borrowing and other forms of leverage. Our client mandates may permit us to invest in long and short positions as well as certain illiquid securities and jurisdictions. Investment parameters and limitations are described in each client's respective advisory contract.

Similarly, the holdings for the private funds will vary by and within a strategy. This is attributable to differing investment strategies, various investment restrictions and tailoring for certain investor limitations or requests.

We will emphasize or deemphasize, add, develop or eliminate different investments and strategies from time to time depending upon, among other factors, our view of new market opportunities or regulatory changes.

To the extent that our clients are commingled funds, we provide advisory services to the commingled funds and not to the individual investors in such funds.

In addition, although we have not done so in the past, we reserve the right to enter into separate agreements with certain investors in our commingled funds which may provide more favorable terms than those provided to our other investors, including more favorable fee terms.

#### **D. Wrap Fee Programs**

None.

#### **E. Client Assets**

As of December 31, 2023, RCM's net assets under management were \$168,497,597 regulatory assets (based on unaudited numbers, and excluding the account for which RCM advises exclusively on real estate assets). RCM does not manage any non-discretionary accounts.

### **Item 5: Fees and Compensation**

#### **A. Advisory Fees and Compensation**

##### **Management Fees**

Our compensation generally includes a management fee typically paid in arrears either monthly, quarterly, or annually. Fees for strategy-specific separately managed accounts are subject to negotiation. Factors such as the client's proposed investment size and/or a long-term commitment may be taken into consideration in negotiating the fee.

Management fees payable by the commingled funds may vary and are described in each fund's offering materials, or organizational documents. Our standard management fees charged to the funds are calculated as a percentage of assets under management and typically range from 0.1 up to 1.0% per annum, but may be higher or lower per client written agreements. Management fees are generally payable and deducted from the assets of each Fund quarterly in arrears.

### Performance Fees and Allocations

For certain client accounts and commingled funds, we may receive performance-based compensation. For our funds, our performance-based allocation is typically charged at a year-end generally, at a rate of up to 20% of all net realized and unrealized profits (if any) from each investor's account as of year-end, subject to a high-water mark. Certain funds may have a performance-based compensation based on relative performance over a specific benchmark, greater than one-year performance measurement periods and differing performance compensation rates.

We are generally not entitled to receive any performance-based compensation to the extent that there are unrecovered accumulated losses in performance carried forward from prior years.

We have in the past and may in the future decide to rebate, reduce, or waive either the management fee or performance-based compensation for certain classes or investors. To the extent that we are sharing portions of the either management fee or performance compensation with others, it is solely at our cost.

### Redemption Amount

We seek to partner with investors who share our long-term view and investment philosophy.

Thus, some of our funds and other collective vehicles may be subject to a fee for withdrawals made during a lock-up period. In those cases, we may charge an early withdrawal fee ranging from 1-2% and deduct directly from the early withdrawal amounts.

Some of our separately managed accounts may also have an early withdrawal provision that provides for a change in fees for early withdrawals.

#### B. Payment of Fees

We generally charge management fees either monthly or quarterly in arrears based upon assets under management for the respective measuring period. The management fee is typically pro-rated for contributions or withdrawals made within, depending on the fund, either intra-month or quarter.

Separate account clients must authorize the payment of management fees on a transaction-by-transaction basis. In certain cases, separate account clients will authorize such approved fees to be debited directly from their account. Fees paid from commingled funds are debited directly from the funds.

To the extent applicable, performance-based compensation is calculated after the accrual of any applicable management fees.

### C. Additional Fees and Expenses

Any additional fees and expenses for our separately managed account clients will vary and are subject to negotiation.

Fund investors will pay certain expenses directly and will reimburse us for certain expenses paid on a fund's behalf as described in their offering materials.

From time to time, certain expenses, such as legal costs, may be allocated across the accounts managed by RCM. In those cases, RCM generally allocates the expenses on a fair and equitable manner (*e.g.*, *pro rata* based on each account's assets under management).

Generally, funds are responsible for operating expenses which include, but are not limited to the following:

- brokerage and execution charges, commissions, custodial charges, and fees for quotation and other data services;
- accounting, trading, portfolio management and risk management systems expenses;
- research subscriptions and expenses;
- travel, legal and consulting fees related to investment research or board meetings and due diligence;
- broken trade and broken deal fees;
- expenses to register securities and transfer taxes;
- costs and expenses incurred for the purpose of protecting or enhancing a fund's value of the assets (including the costs of instituting and defending litigation);
- U.S. federal, state and local taxes, filing and registration fees, including audits associated with such taxes and filings (other than our corporate taxes);
- investor communications, relations, bookkeeping, accounting and the preparation and mailing of financial, tax and performance information to investors fees, costs and expenses;
- fees, costs and expenses incurred in connection with borrowings;
- administration fees, costs and expenses;
- premiums and other costs of D&O/E&O and other insurance;

- fees for attorneys, accountants, consultants and other professionals or experts related to a fund's investment; and
- Directors' fees and expenses.

If one of our funds holds other unaffiliated collective managed investments, *e.g.*, mutual funds, those underlying fund fees including a management fee, other fund expenses and a possible distribution fee are paid by the fund directly and are not deducted or rebated from our fees. We, however, may waive the underlying fund fees of those pooled investment vehicles managed by our affiliated entities, such as Dalton. Please note that you can generally purchase mutual funds directly without our advisory services.

#### D. Prepayment of Fees

Not Applicable.

#### E. Additional Compensation and Conflicts of Interest

While we utilize third parties to administer the commingled funds, we typically assist in reviewing the net asset value of the commingled funds and retains responsibility to determine the net asset value of its separately managed account clients. This practice creates a potential conflict of interest because if the determination of the net asset value is inaccurate, we might receive management fees and performance compensation that are greater or (less) than the actual compensation entitled. In addition, for the commingled funds, inaccurate valuations could potentially cause redeeming investors and new investors to receive less (or more) fund redemption proceeds or interests than otherwise entitled. We have instituted valuation policies and procedures, which include reconciliation procedures for identifying and resolving material differences with third party administrators. Additionally, to the extent a client has financial auditors, they provide an additional check of valuation.

Additionally, from time to time, investment team members serve as directors or special observers on the boards of directors of companies in which we invest, and in such cases the employee may (although they generally do not) receive director fees and/or expenses.

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

We manage client accounts with differing fees – including management fee only and lower or relative performance-based compensation accounts.

Consequently, the incentive to favor higher performance-based compensation accounts over accounts with differing fees exists as a potential conflict of interest.

In addition, performance-based compensation may create an incentive for our portfolio managers to select investments that are riskier or more speculative than might otherwise be the case for fixed managed fee accounts.



We seek to mitigate this potential conflict through our allocation policies and procedures. Please see Item 10 below for a more detailed discussion of conflicts of interest.

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

Our clients include:

Institutional separate account clients – *e.g.*, insurance companies and charitable entities.

Commingled Funds, including private funds and an exchange-traded fund listed on the London Stock Exchange.

Investors in the funds include, among others, fund of funds, pension funds, endowments, foundations, other financial institutions and corporations, family offices and high net worth individuals, and directly or indirectly include Mr. Rosenwald, members of his extended family and trusts or other entities established for any of the foregoing persons' benefit. We generally require that each US investor in its private commingled funds be an “accredited investor” as defined in Regulation D under the Securities Act of 1933 and in the case of 3(c)(7) funds, a “qualified purchaser” as defined under the Investment Company Act of 1940. Investors in the funds are generally required to invest a minimum of \$1,000,000. RCM has waived, and reserves the right to modify or waive this minimum requirement.

Required investment amounts for separately managed accounts are negotiated and may differ substantially.

The private funds may enter into separate agreements, commonly referred to as “side letters”, or other similar agreements with a particular limited partner in connection with its admission to the private fund without the approval of any other limited partner, which would have the effect of establishing rights under or supplementing the terms of the applicable private fund’s partnership agreement with respect to such limited partner in a manner more favorable to such limited partner than those applicable to other limited partners. Such rights or terms in any such side letter or other similar agreement may include, without limitation: (i) reporting obligations, (ii) waiver of certain confidentiality obligations, (iii) “most favored nation” provisions or (iv) rights or terms requested or necessary in light of particular investment, legal, regulatory or public policy characteristics of a limited partner.

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

We are a disciplined, value-oriented, global investment management firm committed to capital preservation and long-term growth. Since our formation, our strategies have primarily focused on investments in global securities (including debt, preferred and common equity, convertibles, and liquidation units), real estate, pooled investment funds, venture capital investments, and other private offerings.

We seek less crowded areas of markets and believe our value is largely attributable to our agility and rigorous value analysis. Our investment objective is to generate positive long-term compounded returns on an absolute and relative basis.

Across our strategies and client accounts, we seek broad and flexible mandates. We generally concentrate the number of investment holdings. We search for investments that we believe are mispriced or misunderstood in the market and have the potential for appreciation over a longer holding period.

We invest and trade in (i) securities and other instruments, including, but not limited to, stocks, bonds, notes, high-yield securities, options, warrants, rights, private claims, bank debt, sovereign debt, credit default swaps, derivatives, commodities, futures, options on futures, pooled investment vehicles, and other securities and instruments of U.S and non U.S. issuers, and (ii) real estate assets. Certain accounts engage in short selling, margin trading and other investment and hedging strategies.

## **A. Methods of Analysis and Investment Strategies**

### **Securities**

James B. Rosenwald III is RCM's Founder and President and is Rising Sun's Chief Investment Officer. Mr. Rosenwald has more than 30 years of investing experience.

We search for undervalued, owner-operated profitable businesses. Our shorts include specific positions with the opposite characteristics of our long positions and serve as a hedge for the portfolio or a specific security within the portfolio.

Investment ideas are primarily internally generated and all investments are researched by the portfolio manager, prior to purchase or sale which is ultimately made by Mr. Rosenwald. Our research includes our own determination of fair value through our rigorous analysis of company financials, and includes where possible, meetings with key company managers, suppliers, and/or clients to assess company strategy and alignment of interests. m

While our investments are primarily in equity securities and other pooled investment vehicles, certain accounts permit derivatives, options, debt and other complicated investments.

We may offer other advisory services, and, to the extent consistent with our agreements with our clients, engage in any investment strategy and make any investment, at any time.

### **Real Estate**

We continually analyze relevant market, property and company fundamentals in various sectors and locations. Our investment approach is driven by a disciplined investment strategy focused on identifying areas with below market risk relative to the potential for above market returns.

- Attractive pricing. Considerable discount to replacement cost; existence of distressed (or disinterested) seller or distressed assets.

- Sources of distinctive competitive advantage. Previous exposure to, or knowledge of, markets or asset types; other market inefficiencies and informational arbitrage.
- Appropriate risk and return relationship. Understanding of capital structures, uniqueness of markets, and attendant risks within those markets and investment types; ability to minimize risks and maximize returns across global markets.
- Attractive capital structure. Appropriate use of prudent leverage levels and flexibility of structure to achieve opportunistic exits as and when available; creation of return enhancement at appropriate risk levels.
- Exceptional quality of partner / management. Previous experiences with management; unique industry expertise; aligned interests and commitment to integrity of relationship.
- Significant degree of complexity. Can provide edge against lower cost of capital competitors; extract hidden or obscured value; utilize significant structuring and underwriting expertise for intricate transactions.
- Appropriate degree of control. Ability to determine or influence the direction of management, strategy, financing, and exit of the asset.
- Acceptable legal environment. Suitable legal jurisdiction to ensure negotiated transaction documents provide adequate protection and will be upheld in accordance with their legal and commercial terms.
- Income generation. Properties with actual or potential cash flow characteristics allowing enhanced risk-adjusted returns.
- Opportunity to add value. Focus on assets with inherent characteristics that allow value enhancement through expansion, repositioning, or application of property, finance, and asset management expertise as well as our entrepreneurial skills.
- Clarity of exit. Ability to appropriately define reasonable exit(s) at the time of acquisition, identify multiple options and avoid reliance on public markets as only exit alternative.
- Follow-on investment opportunity. Depth and breadth of opportunity pool in specific industry and/or region.

PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE PERFORMANCE. THE VALUE OF THE INVESTMENTS AND THE INCOME FROM THEM CAN GO DOWN AS WELL AS UP AND AN INVESTOR MAY NOT GET BACK THE AMOUNT INVESTED. THESE INVESTMENTS ARE DESIGNED FOR INVESTORS WHO UNDERSTAND AND ARE WILLING TO ACCEPT THESE RISKS. PERFORMANCE MAY BE VOLATILE, AND AN INVESTOR COULD LOSE ALL OR A SUBSTANTIAL PORTION OF ITS INVESTMENT.

## **B. Certain Risks Relating to Investment Strategies**

In considering an investment with us, we urge you to view our strategies as speculative and entailing substantial risks. There is no assurance that we will meet our investment objectives or a certain return threshold. While capital preservation is a primary focus of our investment process, you should consider the impact to you of a substantial or total loss of your investment.

We have included below certain risk factors that we believe are material, significant or unusual for our strategies based on current information. This non-exhaustive list is not a complete explanation of the risks that should be considered prior to investing with us. We do not address certain standard material risk factors that may cover for example certain instrument types or structural risks. Some or all of these risks may be applicable to a strategy mandate or fund. Please thoroughly review all materials with your advisers in consideration of your specific circumstances or risk tolerance.

### **Investment in Securities**

#### *Foreign Investment Considerations*

Special risks associated with securities of foreign companies add to the complexity and usual risks inherent in domestic investments. Such special risks include fluctuations in foreign exchange, political or economic instability in the country of issue, and the possible imposition of exchange controls or other laws or restrictions.

In addition, securities prices in foreign markets are generally subject to different economic, financial, political and social factors than are the prices of securities in U.S. markets. With respect to some foreign countries there is a possibility of expropriation or confiscatory taxation, limitations on liquidity of securities or political or economic developments.

Moreover, less information may be publicly available concerning certain of the foreign issuers of securities than is available concerning U.S. companies. Foreign companies are also generally not subject to uniform accounting, auditing and financial reporting standards or to practices and requirements comparable to those applicable to U.S. companies. Trading foreign investments may be particularly difficult depending on the foreign jurisdiction.

#### *Emerging Markets*

Emerging market investments are subject to all of the risks of foreign investments generally, as well as additional heightened risks due to a lack of established legal, political, business and social frameworks to support securities markets.

These risks include, without limitation:

- liquidity risks (sometimes aggravated by rapid and large outflows of “hot money” and capital flight),

- extreme currency and political risks, including potential exchange control regulations and restriction on foreign ownership,
- repatriation of capital,
- social instability and unrest, terrorism, corruption and crime,
- delays in settling portfolio transactions, risk of loss arising out of systems of security registration and custody, less effective government regulation and supervision of business and industry and a greater likelihood of disruptions brought about by regional conflicts, and
- high levels of inflation, deflation or currency devaluation, each of which can harm their economies and securities markets.

Given our investment strategy, portfolio holdings may be highly volatile and may decline significantly in response to adverse issuer, political, social, regulatory, market or economic developments.

#### *Foreign Currency Transactions and Exchange Rate Risk*

Investments may be denominated in non-U.S. currencies and in other financial instruments, the price of which is determined with reference to such currencies. To the extent unhedged, the value of an account's net assets is subject to fluctuations in exchange rates as well as with price changes of the account's investments in the various local markets and currencies.

Forward currency contracts and options may be utilized to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be available or, even if undertaken, effective.

#### *Highly Volatile Markets*

Price movements of forward contracts and other derivative contracts 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 instruments and interest rate-related 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.

#### *Concentration of Investments*

Client accounts may hold a relatively small number of securities positions, each representing a relatively large portion of the account's capital and may hold a large percentage of capital in cash while awaiting better opportunities. Losses incurred in these positions could have a material adverse on an account's overall financial condition, including opportunity loss.

### *Small Capitalization Companies*

The securities of small capitalization and recently organized companies pose greater investment risks. The equity securities of small capitalization companies may be more illiquid, i.e. less trading volume.

Investments in small capitalization companies may also be more difficult to value than other types of securities. Investments in companies with limited operating histories are more speculative and entail greater risk than do investments in companies with an established operating record. Additionally, transaction costs for these types of investments are often higher than those of larger capitalization companies.

### *Short Sales*

For certain client accounts, we may make short sales in any type of securities. Short sales theoretically involve unlimited loss potential, as the market price of securities sold short may continuously increase.

### *General Derivative Considerations*

The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in securities or more traditional investments, depending upon the characteristics of the particular derivative and the account's portfolio as a whole.

Derivatives may entail investment exposures that are greater than their cost would suggest, meaning that a small investment in derivatives could have a large potential impact on the account's performance. Because derivatives are bi-lateral contracts, these investments include counter-party risk in addition to the risks associated with the underlying investment.

### **Investments in Real Estate**

Our investments in commercial and residential real estate are subject to risks typically associated with real estate. The value of real estate may be adversely affected by a number of risks, including, without limitation:

- local, state, national or international economic conditions;
- real estate conditions, such as an oversupply of or a reduction in demand for real estate space in an area;
- tenant/operator mix and the success of the tenant/operator business;

- property management decisions;
- property location and conditions;
- property operating costs, including insurance premiums, real estate taxes and maintenance costs;
- the perceptions of the quality, convenience, attractiveness and safety of the properties;
- branding, marketing and operational strategies;
- competition from comparable properties;
- the occupancy rate of, and the rental rates charged at, the properties;
- the ability to collect on a timely basis all rent;
- the effects of any bankruptcies or insolvencies;
- the expense of leasing, renovation or construction;
- changes in interest rates and in the availability, cost and terms of mortgage financing;
- unknown liens being placed on the properties;
- actions of third parties;
- the ability to refinance mortgage notes payable related to the real estate on favorable terms, if at all;
- changes in governmental rules, regulations and fiscal policies;
- tax implications;
- changes in laws, including laws that increase operating expenses or limit rents that may be charged;
- the impact of present or future environmental legislation and compliance with environmental laws, including costs of remediation and liabilities associated with environmental conditions affecting properties;
- cost of compliance with the Americans with Disabilities Act of 1990;
- adverse changes in governmental rules and fiscal policies;
- social unrest and civil disturbances;

- acts of nature, including earthquakes, hurricanes and other natural disasters;
- terrorism;
- the potential for uninsured or underinsured property losses;
- adverse changes in state and local laws, including zoning laws; and
- other factors which are beyond control.

The value of each property is affected significantly by its ability to generate cash flow and net income, which in turn depends on the amount of rental or other income that can be generated net of expenses required to be incurred with respect to the property. Many expenses associated with properties (such as operating expenses and capital expenses) cannot be reduced when there is a reduction in income from the properties. These factors may have a material adverse effect on the value and return that our clients can realize.

#### *Casualty Losses; Uninsurable Losses.*

Real estate investments are expected to maintain comprehensive casualty insurance on its investments, including liability and fire and extended coverage. However, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods and hurricanes that may be uninsurable or not economically insurable. We may or may not obtain, or be able to obtain, or require borrowers to obtain, terrorism insurance. Inflation, changes in building codes and ordinances, environmental considerations, and other factors also might make it infeasible to use insurance proceeds to replace a property if it is damaged or destroyed. Under such circumstances, the insurance proceeds, if any, might not be adequate to restore the economic value of the property, which might impair our client's security and decrease the value of the property.

#### *Financial Condition of Tenants or Operators.*

Real estate investments made by RCM clients may be adversely affected by financial difficulties experienced by any of their major tenants/operators, including bankruptcy, insolvency or a general downturn in the business, or in the event that any of the major tenants/operators do not renew or extend their relationship as their lease terms expire. RCM clients are exposed to the risk that the tenants/operators of properties in which they invest may not be able to meet their obligations to RCM affiliates or other third parties, which may result in their bankruptcy or insolvency. Although the leases and loans permit landlords to evict a tenant/operator, demand immediate repayment and pursue other remedies, bankruptcy laws afford certain rights to a party that has filed for bankruptcy or reorganization. A tenant/operator in bankruptcy may be able to restrict the landlord's ability to collect unpaid rents or interest on behalf of the RCM clients during the bankruptcy proceeding. Furthermore, dealing with a tenant/operator's bankruptcy or other default may divert RCM attention and cause the RCM client to incur substantial legal and other costs.



### *Undeveloped Land / Development Property Risk.*

Clients may invest in underdeveloped land and certain development properties. Undeveloped land and development properties may involve more risk than properties on which development has been completed. Undeveloped land and development properties do not generate operating revenue while costs are incurred to develop the properties, and may also generate certain expenses including property taxes and insurance. Development activities include the risks that development projects may be abandoned after expending resources, construction costs of a project may exceed original estimates, occupancy and rental rates at a newly completed property may be less than anticipated and construction and leasing of a property may not be completed on schedule. Development activities are also subject to risks relating to the inability to obtain, or delays in obtaining, all necessary zoning, land-use, building, occupancy, and other required governmental permits and authorizations. Contingencies in development activities beyond the control of the Clients could occur.

### **C. Recommendations of Particular Types of Securities**

Not Applicable.

### **Item 9: Disciplinary Information**

To the best of our knowledge and as certified annually by each employee, none of our employees have been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of us.

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

#### **A. Broker-Dealer Registration Status**

Not Applicable.

#### **B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status**

We claim exemption from registration with Commodity Futures Trading Commission and the National Futures Association.

#### **C. Material Relationships or Arrangements with Industry Participants**

We provide discretionary investment management services to, and our affiliates serve as the general partner to various commingled funds.

Dalton and Rising Sun are both under common control with RCM. Additionally, Rising Sun is a relying adviser of RCM.

RCM and Rising Sun each has a shared services agreement whereby Dalton provides RCM and Rising Sun with back-office services, including compliance and trading, for a fee.

#### **D. Certain Conflicts of Interest among our Clients**

We have adopted policies and procedures, including Code of Ethics and other policies to address certain potential conflicts of interests.

Our affiliated persons and employees may from time to time act as directors, secretary, manager, investment manager or investment adviser or carry out other functions as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives.

In addition, we do not generally prohibit engagements in existing or future business if such activity does not materially interfere with our business or conflict with our obligations.

Different accounts charge differing fees and incentive fees and/or allocations due to circumstances such as different contractual rates or loss recovery account balances.

Our accounts may have conflicting interests with respect to their investments, including with respect to selling objectives, taxes, performance, liquidity, timing and other objectives. For example, certain accounts may from time to time be selling securities and instruments that other accounts may continue to hold and/or purchase.

Performance results may vary substantially among our client accounts.

#### **E. Material Conflicts of Interest Relating to Other Investment Advisers**

We along with our affiliates have relationships with certain advisers and operating companies that could present potential or actual conflicts of interest.

For example, we or our affiliates hold capital interests in the management companies of other investment firms or in such firms' private investment limited partnerships and may serve as directors for such management companies.

In particular, RCM is the sole Managing Member and a majority-owner of Dalton; Mr. Rosenwald is a Founding Partner and the Chief Investment Officer of Dalton. He also serves as a director of certain of the offshore feeder funds of Dalton's hedge funds. The investment strategies and guidelines of RCM, Rising Sun and Dalton may overlap in a material manner, and potential conflicts of interests regarding allocations by Mr. Rosenwald of investment opportunities between clients of RCM, Rising Sun and clients of Dalton could arise as a result of different compensation arrangements or for other reasons. To the extent such conflicts arise and an investment opportunity identified by Mr. Rosenwald is suitable for both clients of RCM/Rising Sun and clients of Dalton, such opportunities will be allocated in a manner consistent with our allocation policies and procedures and Dalton's allocation policies and procedures, which may still result in certain clients being treated more favorably than others.

Mr. Rosenwald serves as the Chief Investment Officer and a Director of Rising Sun, an investment adviser for NAVF, incorporated in England and Wales and listed on the London Stock Exchange, and NAVF Select LLC (previously, "Michael 1925 LLC"), which is a limited

liability company formed in the State of Delaware. Rising Sun also may serve as an investment adviser for other pooled investment vehicles. RCM is a majority-owner of Rising Sun. The financial adviser and the sole underwriter for NAVF is Shore Capital Group, where Mr. Rosenwald serves as a director, and Rising Sun entered into a research services agreement with Dalton Advisory KK, a Tokyo-based, wholly-owned research subsidiary of Dalton.

Investment opportunities that are appropriate for an RCM account also may be appropriate for NAVF and other pooled investment vehicles for which Rising Sun may serve as an investment adviser, and there is no assurance that an RCM account will receive an allocation of all of those investments that it wishes to pursue, for regulatory (*e.g.*, if Rising Sun becomes aware of material, non-public information about a Japanese company) or other reasons. Further, Mr. Rosenwald commits time and resources to Rising Sun and NAVF, in addition to his responsibilities owed to the RCM accounts.

When an RCM account invests in NAVF and/or other pooled investment vehicle(s) advised by Rising Sun, Rising Sun will be charging fees to the account. Under those circumstances, RCM will waive its fees to the extent necessary so that no double-charging will occur at the RCM level on one hand and at the Rising Sun level on the other hand.

In addition, RCM utilizes the assets of pooled vehicle clients of RCM to make investments in Dalton pooled vehicles or pooled vehicles of other management companies (including Beach Front Property Management, LLC, which manages real estate exclusively and not securities) in which Mr. Rosenwald, direct or indirect beneficial owners of RCM or their family members or affiliates have ownership or other interests, and this may result in Dalton or such other management companies (and, indirectly Mr. Rosenwald, direct or indirect beneficial owners of RCM or their respective family members or affiliates) collecting management fees, performance fees and other compensation from RCM clients. The payment of such compensation to Dalton or such other management companies may be in addition to the management fees, performance fees and other compensation otherwise payable to RCM by the RCM clients.

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

### **A. Code of Ethics**

Our Code of Ethics is designed to monitor and prevent potential conflicts of interest. It generally requires:

- RCM, Rising Sun and their “supervised persons” consider the interests of our clients before their own;
- compliance with federal securities laws;
- reporting and review of personal securities transactions and holdings;
- reporting of violations of the Code;

- distribution of the Code to all personnel, as it may be amended, with a requirement that all supervised persons provide a written acknowledgement that they have received the Code;
- our supervised persons consist of managing members and managing directors, employees and other persons subject to our supervision and control; and
- for purposes of compliance with the Code, we generally treat all “supervised persons” as “access persons.”

Our Code includes, among others, restrictions on trading certain instruments, including reportable securities for supervised persons’ personal accounts without first obtaining pre-clearance, serving on the boards of directors of any outside companies except with the approval of RCM’s or Rising Sun’s Chief Compliance Officer or his/her designee (the “CCO”), or receiving or offering gifts or entertainment worth a substantial monetary value from or to persons doing business with RCM or Rising Sun.

A copy of our Code will be furnished upon request.

## **B. Securities in which RCM or a Related Person has a Material Financial Interest**

### **Cross Trades**

From time to time, we may determine that it would be in the best interest of certain clients to transfer a security from one client to another for a variety of reasons, including without limitation, tax purposes, and liquidity purposes, to rebalance the portfolios of the clients or to reduce transaction costs that may arise in open market transactions.

If we determine that a cross trade is in the best interests of each client involved, we will take steps to ensure that the transaction is consistent with our fiduciary duty to each client, is permitted pursuant to the guidelines for each of these clients and is compliant with the regulations under the Employee Retirement Income Security Act of 1974, as applicable.

### **Principal Transactions**

To the extent that a cross trade may be viewed as principal transaction due to the ownership interest in a client by us or its personnel, we will comply with the requirements of Section 206(3) of the Advisers Act, and we must receive written client approval prior to settlement of the trade.

## **C. Investing in Securities that RCM or a Related Person Recommends to Clients**

We have implemented policies, relating to personal account trading by employees and related persons designed to reduce, monitor and resolve conflicts of interest. Our access persons are subject to our personal trading pre-clearance policy, which includes no trading of reportable securities without the approval of the CCO and is designed to generally (1) prevent access persons from transacting in securities of issuers at or about the same time that we recommend

securities to Client accounts and (2) also prevent transactions in securities that are restricted from trading. Trading by the CCO will require approval of a CCO designee.

#### **D. Conflicts of Interest Created by Contemporaneous Trading**

Please also see discussion under Item 12.B below, as well as Item 11.A above.

We have designed policies and procedures that seek to monitor and resolve conflicts fairly and equitably.

We may give advice or take action with respect to the investments of one or more client accounts that may not be given or taken with respect to other client accounts with similar investment programs, objectives and strategies.

Accordingly, although certain client accounts may have similar strategies, they may not hold the same securities or instruments and may not achieve the same performance. Returns for any given client account may also adversely affect the prices and availability of other securities or instruments.

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

#### **A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions**

As an investment adviser, RCM has full discretion and authority to make all investment decisions with respect to the types, amounts and prices of securities or instruments to be bought or sold, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid.

Our primary consideration in executing a securities transaction is to obtain best execution. Best execution generally takes the following into consideration: the best net price available; the reliability, integrity and financial condition of the broker-dealer; the size of and difficulty in executing the order; and the value of the expected contribution of the broker-dealer to the investment performance of our clients on a continuing basis. Therefore, the price to a particular client in any particular transaction may be less favorable than that available from another broker-dealer if the difference is reasonably justified by other aspects of the execution services offered.

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

We generally do not have any soft dollar arrangements, but if we do in the future, we will only use soft dollars to obtain products and services that fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934 and will disclose its soft dollar practices in Part 2 of Form ADV.

## **2. Brokerage for Client Referrals**

We do not consider whether it or a related person receives client referrals from a broker-dealer or a third party when selecting or recommending broker-dealers.

## **3. Directed Brokerage**

We do not routinely recommend, request, or require that a client direct us to execute certain transactions through a specified broker-dealer.

On occasions, a client may direct us to effect securities transactions in the client's account through a specific broker/dealer. This instruction shall be construed as a "directed brokerage arrangement". In such circumstances, the client is responsible for negotiating the terms and arrangements for their account with that broker/dealer. We will not seek better execution services or prices from other broker/dealers or be able to aggregate the client's transactions (unless via a "step-out" trade), for execution through other broker/dealers, with orders for other accounts advised or managed by us. As a result, we may not obtain best execution on behalf of the client, who may pay materially disparate commissions, greater spreads or other transaction costs, or receive less favorable net prices on transactions for the account than would otherwise be the case.

We will document the client's direction of brokerage.

## **B. Order Aggregation**

We may but are not obligated to, aggregate purchase or sale orders and allocate the securities or other assets so purchased or sold, on an average price basis, among participating client accounts. We, when appropriate and possible and unless otherwise noted, will generally attempt to aggregate purchase and sale orders of investments held by client accounts in the same strategy with similar orders being made simultaneously for other accounts or entities if, in our reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to clients based on an evaluation that they will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors.

To the extent that certain purchase or sale transactions are recommended for clients in different strategies or by different portfolio managers, we typically will not aggregate such orders and, in fact, such portfolio managers could cause different clients to take investment positions that are different from or adverse to those taken for another client, including positions contrary to those or senior or junior to those held by such client.

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

### **A. Frequency and Nature of Review of Client Accounts or Financial Plans**

We perform various daily, weekly, monthly, quarterly and periodic reviews of each client's portfolio. In addition to reviews by Mr. Rosenwald, RCM's, Rising Sun's or Dalton's operations team and compliance team are also involved in reviewing client portfolios.

### **B. Factors Prompting Review of Client Accounts other than a Periodic Review.**

A review of a client account may be triggered by unusual activity or special circumstances on a case-by-case basis.

### **C. Content and Frequency of Account Reports to Clients**

We or the fund administrators provide the following written reports to our fund investors to the extent required:

- (1) annual audited financial statements are sent to investors within 120 days after the end of the fiscal year; and
- (2) monthly or quarterly performance and account report.

Reporting with respect to separately managed accounts is subject to negotiation and follows each client's investment management agreement. Such reports are typically written.

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

### **A. Economic Benefits for Providing Services to Clients**

We do not receive economic benefits from non-clients for providing investment advice and other advisory services.

### **B. Compensation to Non-Supervised Persons for Client Referrals**

N/A.

## **Item 15: Custody**

All client assets which are securities or cash will be held in custody by unaffiliated qualified custodians, unless, in the case of certain securities, we determine to rely on the audit exception to the custody rule. However, we may be deemed to have constructive custody of the assets of certain private funds that we manage due to us or a related person serving as general partner for such funds or certain securities being in uncertificated form. Additionally, we may be deemed to have custody due to direct debiting of fees from separate account clients.

To the extent required under applicable law, investors in our funds (or their independent representatives) will receive monthly or quarterly account balance statements from the qualified custodian, us or the independent administrator. Additionally, the funds are audited on an annual basis and investors receive a copy of the audited financials within 120 days of the funds' fiscal year-end.

Separate account clients should receive quarterly or monthly statements from the qualified custodian or administrator that they have selected. Clients should carefully review those statements and should compare them to any statements received from us.

#### **Item 16: Investment Discretion**

Unless otherwise specified (*e.g.*, Rising Sun's advisory arrangements), we have discretionary trading authority for each client account granted through an investment management agreement, limited partnership or similar operating documents. Investment decisions and advice are subject to the investment objectives and guidelines included in client's advisory agreement.

We or our affiliates have entered into an investment management agreement, limited partnership agreement or similar agreement with each fund, or beneficial owner of each managed account, evidencing our granted discretionary trading authority.

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

Generally, we seek to vote proxies on behalf of our clients to maximize shareholder value. To that end, we seek to consider both the short- and long-term implications of a proposal. We monitor for potential conflicts of interest between the client's interest and our own within the proxy voting process. Clients generally cannot direct our proxy votes.

If a material conflict is identified, our proxy procedures include (1) voting with the recommendation of an outside proxy voting service, (2) a unanimous vote by 3 disinterested management committee members or (3) engagement of an outside consultant.

Our proxy voting policy and procedures are available for further review. Any client may request a proxy voting report at any time. For further information, please let us know. Our contact information is on the first page of this brochure.

#### **Item 18: Financial Information**

We have never filed for bankruptcy and are not aware of any financial condition expected to affect our ability to manage client accounts.