

# SPX Capital Management LLC

## Part 2A of Form ADV

### The Brochure

### Item 1 – Cover Page

450 Park Avenue  
28<sup>th</sup> Floor  
New York, New York 10022  
(212) 386-5810  
[www.spxcapital.com](http://www.spxcapital.com)

March 28, 2024

This brochure provides information about the qualifications and business practices of SPX Capital Management LLC (“SPX” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at (212) 386-5810. Registration as an investment adviser with the U.S. Securities and Exchange Commission (“SEC”) does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

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

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

## Item 2 – Material Changes

Since the last annual amendment of its Form ADV Part 2A on March 31, 2023, SPX has made the following material changes:

- Item 2: SPX revised its presentation of Regulatory Assets Under Management. Previously, it presented the total value of its private fund clients. It now presents the RAUM for the asset sleeves of the private fund clients that it advises. Because SPX no longer has non-discretionary clients, it also removed those references.
- Item 4: SPX no longer provides discretionary advisory services in relation to US equities. References to the Equities team and advisory services previously included in this Item and throughout this Brochure have been removed.
- Item 8: SPX revised its risk disclosures to remove a specific risk item related to the war in Ukraine and instead included a broader geopolitical risks disclosure in the section entitled “Force Majeure, Geopolitical or other Risks.”

## Item 3 – Table of Contents

Item 2 – Material Changes.....	2
Item 3 – Table of Contents.....	2
Item 4 – Advisory Business .....	3
Item 5 – Fees and Compensation .....	4
Item 6 – Performance Based Fees and Side-by-Side Management.....	5
Item 7 – Types of Clients.....	5
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	5
Item 9 – Disciplinary Information .....	10
Item 10 – Other Financial Industry Activities and Affiliations .....	10
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	10
Item 12 – Brokerage Practices .....	11
Item 13 – Review of Accounts .....	12
Item 14 – Client Referrals and Other Compensation.....	13
Item 15 – Custody.....	13
Item 16 – Investment Discretion .....	13
Item 17 – Voting Client Securities.....	14
Item 18 – Financial Information.....	14

## Item 4 – Advisory Business

SPX is a Delaware limited liability company with its principal place of business is New York, New York. SPX is wholly owned by SPX Capital Holding Ltda. SPX was founded in 2018.<sup>1</sup> The only owner who holds 25% or greater of SPX Capital Holding Ltda. is Rogério Rodrigues Estevinha do Amaral Xavier.

SPX provides discretionary advisory services to pooled investment vehicles organized under the relevant laws of the United States and the Cayman Islands. These vehicles include limited partnerships, private fund companies and segregated portfolio companies organized under the Cayman Islands' Companies Act and registered under the Cayman Island Monetary Authority in accordance with the Mutual Funds Act. ("SPCs"). In addition to the advisory services provided by SPX, the SPC clients are also primarily managed by the Firm's affiliates SPX Gestão de Recursos Ltda., SPX International Asset Management Ltd, SPX Portugal, SGOIC, S.A. and SPX Capital Management Singapore PTE. Ltd. (each an "Affiliate" and collectively the "Affiliates" or "Co-Sub-Managers").

SPX's credit strategy ("SPX Credit") is primarily an absolute-return strategy, focused on US- and developed markets. SPX Credit engages in fundamental company research to select the most efficient capital allocations. The investments will predominantly be in investment grade bonds, high yield products, liquid distressed cash bonds, loans and credit derivatives, with a focus on market liquidity.

The Firm manages certain of these pooled vehicles on a discretionary basis (the "Discretionary Clients"). In this role, SPX has full discretion of a portion of the Discretionary Clients' total assets under management. In addition to the discretionary services explained in this paragraph, the Discretionary Clients will also receive macroeconomic research services.

Below is a list of SPX's Discretionary Clients with the relevant SPCs, as applicable:

- SPX Fund SPC
  - SPX Fund Segregated Portfolio Hawker
  - SPX Fund Segregated Portfolio Exclusive
  - SPX Fund Segregated Portfolio Skyhawk
  - SPX Fund Segregated Portfolio Extender
  - SPX Fund Segregated Portfolio Vickers
  - SPX Fund Segregated Portfolio Unique
  - SPX Fund Segregated Portfolio Canadian Eagle
- SPX Global Fund SPC
  - SPX Global Fund Segregated Portfolio Global Eagle
- SPX Seafire Fund SPC
  - SPX Seafire Fund Segregated Portfolio One

---

<sup>1</sup> SPX organized on February 28, 2018 as SPX Advisory LLC. The name was changed on June 7, 2018 to Global Macro Advisor LLC. On February 24, 2020, the name was changed to the current name of SPX Capital Management LLC.

- Edge Master Fund (including feeder-funds, listed separately)
- Dynamic Global Macro US Fund LP
- Global Macro Strategy US Fund LLC
- Absolute Return Credit Master Fund Ltd.
  - Absolute Return Credit Cayman Feeder Fund Ltd.
  - Absolute Return Credit US Fund LP

In the future, SPX may provide advisory services to private funds that it sponsors that may be substantially different from the services listed above.

SPX does not sponsor a wrap fee program.

As of December 31, 2023, SPX managed \$359,686,002 on a discretionary basis. SPX does not manage any client assets on a non-discretionary basis.

## Item 5 – Fees and Compensation

The Clients pay a management fee to their respective sub-managers directly. Discretionary Clients will pay a management fee that is based on a fixed percentage of their overall net asset value (“NAV”). From the management fee, SPX and each of the Co-Managers advising a particular fund are entitled to a portion of that amount. The management fee will be calculated by the respective calculation agent as set forth in the offering document of each relevant Client and SPX will be paid on a monthly basis. No fees are paid in advance.

Additionally, Clients may pay a performance-based fee (or “incentive allocation”) which vary by share or interest classes. Where such fees are applicable, the incentive allocation range from five percent (5%) to twenty percent (20%) of net profits, as defined and calculated in each Client’s offering Memorandum.

If in the future the Firm provides advisory services to other funds or clients, it reserves the right to negotiate the fees paid by those clients which may differ in their entirety from those paid by its current Clients.

In addition to the advisory fees paid by the Clients, SPX may be reimbursed by the Clients for any private fund expenses it incurs with respect to the services provided to the specific Client. These may include: director fees; registrar and transfer agent fees; calculation agent fees; brokerage and custody expenses including brokerage commissions, short sales, clearing and settlement charges, custodial fees, bank service fees, research related expenses; auditor fees; distributor fees; operating expenses including investment and legal expenses, accounting, reporting, printing, consulting, recording, and filing fees; and extraordinary expenses associated with the Client. These expenses and fees are detailed (and controlled by) the relevant offering documents for the funds.

The Clients may pay other fees and expenses, including management fees and performance-based fees to the Affiliates and should refer to the governing documents for a description of those other fees and expenses.

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

SPX is entitled to a performance-based fee from some Clients but not others. Specifically, Skyhawk, Hawker, Seafire, Global Eagle, Dynamic Global Macro, Absolute Return Credit, and Canadian Eagle will all pay between five percent (5%) to twenty percent (20%) of their respective performance-based fee, if any. All other Discretionary Clients will not pay a performance-based fee at this time. Performance based fees may create an incentive for SPX to make investments that are riskier or more speculative than would be the case in the absence of a performance fee. Furthermore, the fact that certain Clients will pay a performance-based fee and others will not lead to the potential for SPX to favor some Clients with more favorable allocation and more profitable investments. As such, SPX has developed a trade and investment allocation review that will ensure all Clients are treated equitably.

All Discretionary Clients will be managed side-by-side however, the management fee paid may differ amongst the Discretionary Clients. Likewise, SPX may have discretion over a larger percentage of certain Discretionary Clients' portfolio and therefore may receive more fees. SPX may have an incentive to pursue riskier or more profitable investments for Discretionary Clients that pay SPX a higher management fee than one who pays a lower fee. SPX will handle each with the same care and diligence regardless of the fee that is charged. SPX further mitigates this risk through the trade and investment allocation review, which ensures that one Discretionary Client does not receive more favorable investment opportunities and services than another Discretionary Client. When they are engaged as Co-Managers, the Affiliates may receive a portion of the performance-based fees paid by the Clients as compensation.

## **Item 7 – Types of Clients**

SPX primarily provides customized investment management services, as described in Item 4, to pooled investment vehicles including private funds and SPCs. These Clients are not registered or required to register under the Securities Act of 1933 and are privately placed to qualified investors.

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

As previously stated, SPX Credit focuses on an absolute return, long-short credit strategy, implemented through a fundamental investment process to drive returns based on capital appreciation and ensuring the highest conviction ideas occupy proper capital allocations. The research and idea generation of SPX focuses on thematic trends, macro views, internal insights, price dislocation, market color and index screening. Each of these contribute to the identification of names and idea generation for further diligence.

Once names are identified, the research efforts focus on fundamental research and deep dives in the specific names that are attractive to SPX. This includes determinations into the efficiency of capital allocation, a return analysis, cash analysis and a technical assessment. Once this is conducted, the investment team will determine whether to pursue an investment or further research into a name. The asset classes may be a range of investment grade to distressed products. The short portfolio will be viewed as alpha to generate return, as opposed to simply a hedge. The portfolio will take directional risk supported by SPX's economic views.

SPX also employs an extensive risk framework that utilizes stress tests of the portfolio under a variety of scenarios. Likewise, the Firm employs a variety of hedges to reduce the currency risk and

exposure of the portfolio if deemed appropriate. SPX uses liquidity reviews and assessments to further strengthen SPX's portfolio risk evaluation. On a weekly basis, the risk team reviews exposures and the risk reporting on the portfolios.

The description below is an overview of the risks entailed in SPX's investment strategies and is not intended to be complete. All investing involves the risk of loss that clients should be prepared to bear and the investment strategies offered by SPX could lose money over short or long periods. Performance could be hurt by a number of different market risks including but not limited to:

**Market Risk** – The success of Client portfolio activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, commodity prices, economic uncertainty, changes in laws, trade barriers, currency fluctuations and controls, and national and international political circumstances. These factors may affect the level of volatility of securities prices and the liquidity of investments in Client portfolios. Such volatility or illiquidity could impair profitability or result in losses.

**Fixed Income Securities** – Investments in fixed income securities are subject to credit, liquidity, prepayment, and interest rate risks, any of which may adversely impact the price of the security and result in a loss. The credit market can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issuers of municipal securities.

**Illiquid investments are riskier than liquid investments** – The investments selected by SPX may be illiquid. As a result, it may be necessary to hold these investments for an indefinite period.

Generally, a less liquid investment bears more risk than a more liquid one. For example, if SPX is unable to liquidate an investment as its value declines, it will be unable to limit losses. Similarly, if SPX is unable to liquidate an investment at a time when cash is needed, the Clients may miss other investment opportunities or be forced to sell other investments at unfavorable times, among other consequences. There may also be instances where SPX determines that it will exit a position across all portfolios, however, due to the illiquidity of the investment, certain Clients may be able to exit prior to others (*e.g.*, due to the size of the position). This may have an adverse effect on some Clients who may receive unfavorable execution prices as compared to others. Finally, valuations of these assets may be more difficult given the limited market and pricing availability. The Firm will follow its valuation policy to determine good faith valuations.

**Securities Lending** – The Firm may lend securities from its advised portfolio to brokers, dealers and other financial institutions needing to borrow securities to complete certain transactions as a means of earning additional income. The Firm will be entitled to payments in amounts equal to the interest, dividends or other distributions payable on the loaned securities, which affords the Firm an opportunity to earn interest on the amount of the loan and current income on the loaned securities themselves. However, the Firm will not vote proxies on securities that are lent. In addition, the Firm might experience a loss if any institution with which the Firm has engaged in a portfolio loan transaction breaches its agreement with the Firm. If the borrower becomes insolvent or bankrupt, the Firm could experience delays and costs in recovering loaned securities. To the extent that, in the meantime, the value of the loaned securities declines, the Firm could experience further losses.

**Leverage** – The Clients may make margin purchases of securities and, in connection with these purchases, borrow money from brokers and banks for investment purposes. This practice, which is known as “leverage”, is speculative and involves certain risks. In addition, the Clients may borrow money for cash management purposes, to fund the redemption of shares or for other temporary purposes. The Clients place no limitation on the use of leverage unless a limitation is set. As such, the use of leverage by a Client may increase the volatility of the portfolio.

**The Firm may rely on information that turns out to be wrong** – The Firm selects investments based, in part, on information provided by issuers to regulators or made directly available to the Firm by the issuers or other sources. The Firm is not always able to confirm the completeness or accuracy of such information, and in some cases, complete and accurate information is not available. Incorrect or incomplete information increases risk and a result in losses.

**Concentrating investments in a single industry may result in losses due to factors that affect an entire industry** – Each particular industry or sector may be affected by unique risks, and the value of investments in a particular industry will differ from the value of the overall financial market. Fluctuations in specific market sectors are often more extreme than fluctuations in the overall market. Therefore, concentrating investments in a single industry exposes an investor to the risk that a single set of events or circumstances will decrease the value of the investor’s overall portfolio.

**Investing in securities entails risks associated with the underlying business** – Investments in securities entail all the risks associated with the underlying businesses, including reliance on a company’s managers and their ability to execute business strategies. In addition, all businesses face risks such as adverse changes in regulatory requirements, interest rate and currency fluctuations, general economic downturns, changes in political situations, market competitors and other factors. The Firm will not have control over any company in which it invests for Clients.

**Hedging may fail to mitigate risk, may limit profits and may increase losses** – Hedging strategies are intended to limit or reduce investment risk, but can also be expected to limit or reduce the potential for profit. The Firm may utilize financial instruments for Clients, including but not limited to, forward contracts, options, interest rate swaps, caps and floors to hedge against fluctuations in the value of its investments caused by events like changes in exchange rates, changes in interest rates, changes in commodity prices and fluctuations in the financial markets in general. Hedging does not eliminate fluctuations in the investment’s value or prevent losses, but establishes other positions designed to gain from the underlying causes of such fluctuations or losses. Hedging also limits the opportunity for gain if the value of an investment increases. Moreover, an attempt to hedge against a risk may simply fail or cost more than the protection it provides. For example, the cost of options is related, in part, to the degree of volatility of the underlying securities. Accordingly, options on highly volatile securities may be more expensive than losses caused by the related fluctuations in those securities.

**Short selling could result in losses significantly higher than the original investment** – The Firm includes short selling in its Clients’ portfolios. Short selling involves selling a security that the Client does not own. The Client borrows the security that is sold short in hopes of purchasing the security at a later price to repay the lender of the security. If a security that is sold short rises in price, the short seller will lose money. Because there is no limit on how much a security’s price may rise,

securities sold short are subject to unlimited risk of loss.

**Derivatives** – SPX may use derivatives for Clients. There are uncertainties as to how the derivatives market will perform during periods of unusual price volatility or instability, market illiquidity or credit distress. Substantial risks are also involved in borrowing and lending against derivatives. Derivatives prices can be volatile, market movements are difficult to predict and financing sources and related interest rates are subject to rapid change. One or more markets may move against the derivatives positions held by a Client, thereby causing substantial losses. Some of these instruments are not traded on exchanges but rather through an informal network of banks and dealers who have no obligation to make markets in them and can apply essentially discretionary margin and credit requirements (and thus in effect force the SPX to close out positions). In addition, some derivatives carry the additional risk of failure to perform by the counterparty to the transaction. Many unforeseeable events, such as government policies, can have profound effects on interest and exchange rates, which in turn can have large and sudden effects on prices of derivative instruments.

**Customized Over-the-Counter Derivatives** – SPX may seek to use customized over-the-counter derivative instruments sold by brokers and other financial institutions as an integral part of the investment strategy for such Clients. Such “structured” or “engineered” products may assist the Firm acting on behalf of a Client in achieving a more precise investment exposure than would be achieved by more generally traded instruments.

**Counterparty Risk Arising from Investments in Derivatives** – SPX may engage in transactions for Clients in securities and financial instruments that involve counterparties. Under certain conditions, Clients could suffer losses if a counterparty to a transaction were to default or if the market for certain securities or financial instruments were to fail. In addition, Clients could suffer losses in the event of a default or bankruptcy by certain other third parties, including brokerage firms, banks, clearing houses and exchanges with which the Client does business.

**Legal Framework and Corporate Governance** – Laws and regulations of some countries may impose restrictions that would not exist in the United States, may lack certain protections provided by U.S. law or may not be fully or consistently enforced, particularly where the other party to a dispute is a local resident or entity. In addition, many countries provide inadequate legal remedies for breaches of contract.

**Investing in Non-U.S. Securities Entails Currency Risks** – Non-U.S. securities and other assets often trade in currencies other than the U.S. dollar, and clients may directly hold foreign currencies and purchase and sell foreign currencies through forward exchange contracts. Changes in currency exchange rates will affect the client’s net asset value, the value of dividends and interest earned, and gains and losses realized on the sale of investments. An increase in the strength of the U.S. dollar relative to these other currencies may cause the value of the Client’s investments to decline. Some foreign currencies are particularly volatile. Foreign governments may intervene in the currency markets, causing a decline in value or liquidity of the client’s foreign currency holdings.

**Service Providers** – Service providers or affiliates of service providers (including lenders, brokers, attorneys and investment banking firms) of SPX and the Clients may be in a position to provide certain services to employees of SPX with respect to non-Client matters. The receipt of services



with respect to non-Client matters may influence or have the appearance of influencing SPX's decision whether to select such service provider for SPX or the SPX or whether to recommend such service provider. To eliminate this potential conflict, SPX prohibits itself and its employees from receiving discounts for any services with respect to non-Client matters performed by its service providers or their affiliates.

**Business Continuity and Cybersecurity Risk** – SPX has adopted a business continuation strategy to maintain critical functions in the event of a partial or total building outage affecting its offices or a technical problem affecting applications, data centers or networks. The recovery strategies are designed to limit the impact on Clients from any business interruption or disaster. Nevertheless, SPX's ability to conduct business may be curtailed by a disruption in the infrastructure that supports its operations and the regions in which its offices are located. In addition, SPX's asset management activities may be adversely impacted if certain service providers to the Firm or its clients fail to perform. In addition, with the increased use of technologies such as the internet to conduct business, SPX's advisory services could be susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber security failures or breaches by a third-party service provider and the issuers of securities in which the portfolio invests could cause disruptions and impact business operations, potentially resulting in financial losses, the inability to transact business, and violations of applicable privacy and other laws.

**Force Majeure, Geopolitical or other Risks** – Portfolio investments may be affected by force majeure or geopolitical events (*i.e.*, events beyond the control of the party claiming that the event has occurred, including, without limitation: war; Middle East instability; military conflict in Ukraine and surrounding areas; ongoing epidemics of infectious diseases that can be spread within a country, region or globally; terrorist attacks in the U.S. and around the world; social and political discord; governmental debt crises; strains on international relations between the U.S. and a number of foreign countries, including traditional allies; new and continued political unrest in various countries; changes in the U.S. Presidency and federal administration that may result in market volatility; acts of God; fire; flood; earthquakes; labor strikes; major plant breakdowns; pipeline or electricity line ruptures; failure of technology; defective design and construction; accidents; demographic changes; government macroeconomic policies; and social instability, etc.). Certain force majeure and geopolitical events could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which Funds may invest specifically. Additionally, a major governmental intervention into industry, including the nationalization of an industry could result in a loss to Funds.

**Travel Restrictions** – In addition, the operations of SPX and the Clients in certain jurisdictions could be adversely impacted, including through quarantine measures and travel restrictions imposed on key personnel of SPX. The Client's operations could also be disrupted if any member of SPX contracts COVID-19 and/or any other infectious disease. Any of the foregoing events could materially and adversely affect the SPX's ability to source, manage and divest its investments and its ability to fulfill its investment objectives. Similar consequences may arise with respect to other comparable infectious diseases.

**Future Regulatory Change is Impossible to Predict** – The securities and derivatives markets are

subject to comprehensive statutes, regulations and margin requirements. In addition, the SEC, the Commodities Futures Trading Commission (“CFTC”), and the exchanges are authorized to take extraordinary actions in the event of a market emergency, including, for example, the retroactive implementation of speculative position limits or higher margin requirements, the establishment of daily price limits and the suspension of trading. The regulation of securities and derivatives both inside and outside the United States is a rapidly changing area of law and is subject to modification by government and judicial action.

## **Item 9 – Disciplinary Information**

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

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

As previously stated, SPX maintains a relationship with the Affiliates who co-manage the Clients. The Affiliates are under common ownership with SPX and both have certain shared services. In similar situations, there may be a conflict of interest since there is the potential for duplicative management fees or other compensation paid by a Client to both SPX and the Affiliates. However, in this case, the Clients pay a management fee to the Affiliates and a portion is taken from this management fee and is paid to SPX at no additional cost to the Clients. Therefore, the sub-advisory relationship that SPX maintains is not at the direct expense of Clients.

SPX also utilizes Affiliates for back- and middle-office services, among other potential shared services.

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

SPX has adopted a written code of ethics that is applicable to all employees. Among other things, the code requires SPX and its employees to act in Clients’ best interests, abide by all applicable regulations, avoid even the appearance of insider trading, and pre-clear and report on many types of personal securities transactions. Pre-clearances must be obtained for most transactions. Securities purchased are subject to a minimum holding period. In order to maintain accurate records and in accordance with the Advisers Act, employees are subject to personal transaction reporting on a quarterly basis and must provide holdings reports on an annual basis. SPX’s restrictions and reporting on personal securities trading apply to employees, as well as employees’ family members living in the same household. A copy of SPX’s code of ethics is available upon request.

SPX seeks to ensure that no employees are using material, non-public information to make trading decisions. As such, it has developed a restricted list which will include, among other things, securities for which the Firm or any of its employees has been exposed to material, non-public information. Any employee that has been found to violate the code of ethics will be subject to punishment up to, and including, termination.

## Item 12 – Brokerage Practices

Though it directs trades on behalf of its clients, SPX itself will not maintain execution relationships with brokers although it may engage brokers for other services (e.g., research) which will be separate from an execution relationship. As a result, it will not necessarily select the specific broker or dealer with which to execute. All trading is completed by an Affiliate or directly by the relevant portfolio manager. When trading through an Affiliate, SPX will provide the trade instruction to the trading desk at the Affiliate who will then execute based on the instructions. SPX Credit has a dedicated trader at the Affiliate who services its trades (the “Trader”). In addition to the Trader, SPX Credit will utilize normal coverage practices at the Affiliate, should the Trader or relevant portfolio manager be unavailable for any reason. The Trader has the ability to select broker or dealers for a specific transaction. SPX may still select or recommend brokers. The relationships with the broker are not maintained with SPX but are with an Affiliate. In the future, SPX may employ a trader and will amend policies and procedures to reflect that change.

In selecting brokers or dealers, the Trader intends to seek best execution. Best execution may include the best price execution but also includes several factors such as quality of the broker, its ability to trade the instrument, research provided, responsiveness, commission rates, the best qualitative execution for the Discretionary Client, amongst other reasons. In all instances, the Trader will select brokers that provide the best execution for its Discretionary Clients based on the above factors.

### Soft Dollar Benefits

Neither SPX nor its Affiliates intend to utilize soft dollars. Should it decide to, it will develop more robust policies and procedures surrounding the use of soft dollars. The Firm may receive sell-side research and access to conferences, but this not due to the usage of soft dollars.

### The Selection of Trading Counterparties

Based upon SPX’s recommendations, the Trader has the authority to select counterparties for Discretionary Client transactions as well as a duty to ensure that these Clients obtain best execution. The Affiliate will maintain the formal relationship with brokers that it believes are advantageous for the Discretionary Clients. Given the credit products that the Firm intends to execute for the Discretionary Clients, there may be a limitation in the broker selection based on the security’s availability. Likewise, the Trader will select brokers that it believes are the most appropriate and best suited for trading a particular product.

The Affiliate maintains an approved counterparty list. On an initial basis, the Affiliate’s legal and compliance group will review and conduct diligence on a broker prior to its addition to the approved list and the execution of an agreement with the broker. If a non-trading relationship is established with a broker (e.g., a broker is positioned to provide confidential information to SPX for the purposes of evaluating a potential investment) that process will be handled by SPX and not the Affiliate.

### Best Execution Reviews

The Affiliate and SPX intend to utilize a number of measures to monitor best execution for the Discretionary Clients. This is done through initial and periodic reviews of individual broker-dealers

in addition to contemporaneous reviews the traders. The Firm may also utilize third parties (including an Affiliate) to produce best execution reviews that analyze trading information and execution on a quantitative level, among other best execution factors. On a periodic basis, SPX will review best execution materials and provide oversight of the best execution practices.

#### Aggregated Trades

SPX typically aggregates trades in an effort that treats all Discretionary Clients fairly. Aggregating client orders also may increase the purchasing power of an order which may result in more favorable execution, greater access to brokers, and lower commission rates.

Trade allocation calculations for each trade will be determined on a daily basis and trades will be allocated based on the percentages of these calculations. Allocations will be based on the assets of the Discretionary Clients and the risk scale attributable to them. In all allocations, SPX intends to assure that all Discretionary Clients are treated fairly and equitably. The Affiliate will also notify the relevant broker-dealers on the correct allocation. The Risk, Operations, and Compliance departments at the Affiliate will review allocations on a periodic basis to determine if any allocation were contrary to the instructions.

As previously stated, SPX has developed a trade allocation policy that is designed to prevent any favorable treatment of one Discretionary Client over another. This extends to both the acquisition and disposition of investments. SPX will review and test the policy on at least an annual basis to ensure that it is adequate.

SPX does reserve the right to not aggregate a trade order. This may be due to the nature of the investment that is being bought or sold as well as potential restrictions that a Client account may have. In a situation where SPX deems it appropriate, and in the Clients' best interest, to not aggregate a trade it will do so in line with its fiduciary duty. SPX will ensure that no Client is disadvantaged due to their practice. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the average price of all securities purchased or sold in such transactions may be determined, at SPX's sole discretion, and the Client account may be charged or credited, as the case may be, with the average transaction price.

#### Allocation of Investment Opportunities

Instances may arise where SPX determines an investment opportunity to be suitable for more than one account but SPX is only able to obtain a small portion of the overall order it sought. Likewise, in the case of a new issuance, SPX may be unable to obtain the full allocation it requested. The securities acquired may be small relative to the overall size of a Client portfolio. In the above situations, or in other situations in which conflicts arise, SPX will endeavor to allocate investment opportunities fairly; nevertheless, from time to time as any given conflict situation arises, such conflict may be resolved in a manner detrimental to a particular client. Likewise, there may be instances where SPX deems it appropriate to not allocate an investment to a Client because it would not impact that Client's portfolio. In all allocation decisions, SPX will strive to meet its fiduciary duty and will properly document the rationale on whether to allocate to a Client or not.

## **Item 13 – Review of Accounts**

Reviews of client accounts occur on a daily basis. These reviews include an assessment of: the valuations of the individual securities within the portfolio, the portfolio weightings of individual

positions, the level of available cash and equivalents, and the various industry concentrations. The goal of these reviews is to keep the portfolios invested in securities that will create long term value for the Client.

As the portfolios are reviewed daily, no single event could be seen as a triggering factor. One triggering event could be a dramatic change in the market price of a security either within or without the portfolio. If, for example, a security within the portfolio has appreciated to the point where it may have reached a full and fair valuation, during a review, SPX may consider selling all or part of the position. The sale (as well as any purchase) of a security is undertaken on a case-by-case basis and includes a thorough review of the valuation metrics, the current and future business opportunities, the tax implications, and the risk versus reward from the current price level. In addition, the risk team is continually reviewing exposure and stress testing the portfolio. The results of these reports and tests may prompt a more thorough review of the portfolio, its composition, and the underlying securities.

Reports will be furnished as they are requested by the relevant Investor. As the request is made, SPX will prepare the report and ensure it contains all relevant information. Investors that request certain information regarding the portfolio may then possess more information than other Investors and such information may not be known to them. As a result, Investors may be able to take actions on the basis of such information which, in the absence of such information, others do not take.

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

SPX does not compensate any party for client referrals, nor does it receive compensation for referring clients to other advisers.

Other than the services provided to the Clients, SPX receives no other compensation.

## **Item 15 – Custody**

SPX is deemed to have custody as defined in Rule 206(4)-2 of the Investment Advisers Act of 1940 (the “Advisers Act”), of the Clients funds and securities. All assets are held at unaffiliated broker-dealers and custodians.

In accordance with the Custody Rule, the Clients are subject to an annual audit that is performed by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. Copies of the audited financial statements are distributed to clients on an annual basis.

## **Item 16 – Investment Discretion**

SPX has investment discretion over its Clients. Clients have granted SPX trading discretion through executed advisory agreements between SPX, the Clients, and the Affiliates. SPX will abide by any investment restriction imposed by the relevant fund documents.

## **Item 17 – Voting Client Securities**

SPX does not exercise proxy voting authority over Clients' securities. The responsibility to vote proxies shall always remain with the Client. Clients will typically receive proxy voting materials directly from their custodian. Clients may contact SPX to discuss any potential proxy vote.

## **Item 18 – Financial Information**

SPX does not have any financial condition that is reasonable likely to impair its ability to meet contractual and fiduciary commitments to clients, nor has it been the subject of a bankruptcy petition.