

## **ITEM 1: COVER PAGE**

Verdis Investment Management  
("Verdis")

Form ADV, Part 2A  
(the "Brochure")

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This brochure provides information about the qualifications and business practices of Verdis Investment Management. If you have any questions about the contents of this brochure, please contact us at 610-397-1600 or [info@verdisinvestment.com](mailto:info@verdisinvestment.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

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

Verdis Investment Management may refer to itself as a "registered investment adviser" or "RIA". You should be aware that registration with the SEC or a state securities authority does not imply a certain level of skill or training.

## **ITEM 2: MATERIAL CHANGES**

Verdis' last update of this Brochure was filed with the SEC on March 9, 2018. The discussion below includes only material changes since that filing. Please review these changes carefully.

1. There has been one material change since the last filing. Steve Kim is no longer the Chief Compliance Officer. Kevin Gaffey, Partner & Chief Financial Officer (and Chief Compliance Officer), has assumed the role.

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## **ITEM 4: ADVISORY BUSINESS**

### *Firm Description*

Verdis Investment Management, LLC (“Verdis”) was founded in 2004 and has been in business for fourteen (14) years. Verdis provides management services and investment advisory: (i) on a discretionary basis, to certain privately placed pooled investment vehicles (“Verdis Funds”) and (ii) on a discretionary or non-discretionary basis, to separately managed accounts (“Separate Accounts”) and wealth advisory clients (“Wealth Advisory Business”). Verdis does accept client-imposed investment restrictions with respect to Separate Accounts as may be negotiated between Verdis and the client. The “Wealth Advisory Business” is described in detail in a separate Form ADV Part II. Clients of such are “Wealth Advisory Clients.” This Form ADV Part II addresses the firm’s pooled vehicles (“Verdis Funds”) and the firm’s separately managed accounts (“Separate Accounts”), together “Fund(s)”.

Funds generally follow a “fund-of-funds” or “fund-of-one” model, investing assets with or through third-party investment managers (each a “Manager”). Verdis generally places a portion of a Fund’s account’s assets (“Account”) in a “sleeve account” managed by the Manager or invests the Account into a pooled fund managed by the Manager (in each case, a “Vehicle”). Verdis screens each Vehicle through a rigorous due diligence process and active, ongoing monitoring.

Each Fund is managed in accordance with its (“Governing Documents”) which may include, among others;

- its investment management agreement (IMA);
- private placement memorandum (“PPM”) or other offering document;
- subscription agreements;
- limited partnership agreement or corporate charter, as applicable; or
- other written disclosures provided to current or prospective investors (each, an “Investor”)

Each Fund’s Governing Documents set forth the investment objectives, strategies and guidelines for the Fund. Investments of a Separate Account may be specifically tailored to the individual needs of the Investor. However, in no event will the investments of a Verdis Fund be specifically tailored to the individualized needs of any Investor, though certain Verdis Funds may take into consideration the general characteristics (*e.g.*, tax status) of its target Investors. Therefore, an Investor must consider, prior to investing in any Verdis Fund, whether that Verdis Fund is consistent with the Investor’s investment objectives and risk tolerance. Information about each Verdis Fund is included in its Governing Documents, which will be available to current and prospective Investors only through Verdis or another authorized party.

### *Ownership*

The majority of Verdis is owned by parent company ViosCapital, LLC, which is owned and comprised of only Jamie Biddle, Partner and CEO, and Steve Kim, Partner, Investment Strategy & Risk Management.

### *Type(s) of Services*

Verdis currently provides advice in the following strategies;

- (i) Verdis Real Assets Strategy (“VRA”);
- (ii) Verdis Real Estate Strategy (“VRE”);
- (iii) Verdis Energy and Resources Strategy (“VER”);
- (iv) Verdis Private Equity Strategy (“VPE”);
- (v) Verdis Hedged Strategy (“VH”);
- (vi) Verdis Opportunistic Global Equity Strategy (“VOGE”); and
- (vii) Verdis Direct Real Estate Strategy (“VDRE”)
- (viii) Verdis Micro Venture Capital Strategy (“VMVC”).

Certain features, related fee schedules and investment terms generally applicable to vehicles following these investment strategies are described in this brochure. Additionally, an overview of each strategy and investment terms are included below; however, the specific terms and conditions applicable to the vehicles through which these strategies are offered are governed by the relevant Verdis Fund’s Governing Documents (as modified by any side agreement negotiated with an Investor). Clients and Investors should be aware that Accounts managed to the same strategy will not necessarily be managed *equally* and the experience of Clients as well as Investors in Verdis Funds may vary.

## **Verdis Real Assets (“VRA”) Strategy**

### *Strategy Overview*

VRA Accounts generally follow a fund-of-funds strategy investing through Managers who invest in private real estate and natural resources (oil, gas, power generation and timber). Verdis’ VRA strategy seeks to hedge against unanticipated increases in inflation and provide a low correlation to bonds and public entities. To accomplish this, the strategy seeks niche Managers who are operationally oriented, have a history of successful investments within geographic locations or product types and may be expected to have the ability to repeatedly exploit private market inefficiencies to create value independent of underlying market or commodity price movements, preferably through operational improvements rather than financial restructurings. VRA generally seeks domestic Managers but may invest in non-U.S. Managers, particularly within the real estate allocation.

Verdis currently manages two Verdis Funds using the VRA strategy, both of which are closed to new Investors.

## **Verdis Real Estate (“VRE”) Strategy**

### *Strategy Overview*

VRE Accounts generally follow a fund-of-funds strategy investing through Managers who invest in private commercial real estate. Verdis’ VRE strategy seeks to hedge against

unanticipated increases in inflation and provide a low correlation to bonds and public entities. To accomplish this, the strategy seeks niche Managers who are operationally-oriented, vertically-integrated, have a history of successful investments within geographic locations or product types and may be expected to have the ability to repeatedly exploit private market inefficiencies to create value through operational or financial dislocations. VRE generally seeks domestic Managers but may invest in non-U.S. Managers.

Verdis currently manages one Verdis Fund using the VRE strategy, which is closed to new Investors.

### **Verdis Energy and Resources (“VER”) Strategy**

#### *Strategy Overview*

VER Accounts generally follow a fund-of-funds strategy investing through Managers who invest in energy (oil, gas, energy infrastructure, oil field services and power generation) and/or natural resources (metals, mining and minerals, and agriculture). Verdis’ VER strategy seeks to hedge against unanticipated increases in inflation and provide a low correlation to bonds and public entities. To accomplish this, the strategy seeks niche Managers who are operationally oriented, and have a history of successful investments within the product types, and may be expected to have the ability to repeatedly exploit private market inefficiencies to create value. VER generally seeks domestic Managers.

Verdis currently manages one Verdis Fund using the VER strategy, which is closed to new Investors.

### **Verdis Private Equity (“VPE”) Strategy**

#### *Strategy Overview*

VPE Accounts generally follow a fund-of-funds strategy. VPE Accounts seek to invest primarily in domestic private equity (buyouts and venture capital) Managers that focus on control investments in middle market buyouts and early stage venture capital funds, with a bias toward funds offered by operationally oriented Managers, rather than finance/transaction-oriented managers, while seeking a relatively even allocation between buyouts and venture capital on a long-term basis. VPE Accounts may also seek to access sub asset classes such as venture and Asian private equity. VPE Accounts also invest in VRE, VER, VDRE, and VMVC strategies. VPE Strategy currently has one fund which is closed to new investors.

For the VPE strategy, Verdis prefers buyout Vehicles managed by Managers who seek control investments and focus on the ‘middle market.’ Similarly, Verdis prefers venture capital Vehicles managed by Managers who focus on early stage investments as early stage investors have the potential to create [or capture more] significant intrinsic value in portfolio companies. While later stage investments may pose relatively less risk, such investments are fairly commoditized and depend more on the health of the initial public offering (“IPO”) market to achieve attractive returns. While Verdis does not typically

pursue late stage focused Vehicles, Accounts may, from time to time, invest with a Manager who makes opportunistic later stage investments. Lastly, the real assets investments in the VPE strategy follow the VRE strategy, VDRE and/or VER strategy.

### **Verdis Hedged (“VH”) Strategy**

#### *Strategy Overview*

VH Accounts generally follow a fund-of-funds strategy. VH Accounts seek, through a broadly diversified portfolio, to enhance overall portfolio performance and minimize the idiosyncratic risk of a single strategy or Manager. Portfolios are constructed using a highly rigorous process, with careful consideration given to risk and return, and an eye toward low correlation among the various Vehicles. This process is designed to capture the upside of the equity markets, but also feature reduced volatility and downside protection. VH Accounts seek Managers who have strong alignment of interests by investing alongside their clients’ capital, targeting a blend of long/short (global long/short and directional equity) and absolute return (credit driven, event driven, and multi-strategy) Managers. As a general matter, the long/short Managers tend to be somewhat directional with relatively higher volatility and net market exposure, albeit with notably less risk than long-only strategies, while absolute return Managers have lower volatility and net market exposure.

Verdis currently uses VH in managing one Verdis Fund. This fund was launched on July 1, 2006 and is closed to new investors. Future VH Accounts may or may not invest in parallel with existing VH Accounts and the performance and risk characteristics of VH Accounts may vary. In some cases, VH Accounts may invest in Vehicles or with Managers also invested in other Verdis strategies.

### **Verdis Opportunistic Global Equity (“VOGE”) Strategy**

#### *Strategy Overview*

The VOGES strategy generally follows a fund-of-funds strategy and is intended to provide global equity market exposure by investing in inefficient areas of the global equity markets where active portfolio management can add value. It is unconstrained by traditional style boxes – allowing for a broader selection of opportunistic investments. The VOGES strategy is biased toward small-capitalization, and developed and emerging international investments, as well as value-oriented investments (in comparison to MSCI All Country World Index) and may sacrifice liquidity and transparency to achieve excess return through such investments. Through VOGES, Verdis allocates opportunistically across geographies and market capitalization weightings, to a diversified pool of managers. Verdis expects approximately half of any such Account to be allocated to U.S. markets, divided approximately evenly between micro- and small-capitalization equities and mid- and large-capitalization equities. The remaining half is expected to be invested in developed and emerging international equities, with an approximately equal weighting across these two markets and a strategic bias toward smaller market capitalizations. In addition, more than half of the Account is expected to exhibit an underlying value (versus



growth) bias. Verdis currently manages a single Verdis Fund in the VOG strategy, which was launched on June 1, 2007 and which is closed to new Investors.

### **Verdis Direct Real Estate (“VDRE”) Strategy**

#### *Strategy Overview*

The VDRE is a direct real estate strategy. Verdis’ VDRE strategy seeks to invest directly in residential real estate opportunities in the United States. Verdis executes this strategy by working with high-quality, deeply-experienced partners, with real estate expertise. The VDRE strategy prefers value-add opportunities where Verdis can transform existing properties through renovation and/or repositioning, however may include new development opportunities as well.

Verdis currently has one investment in the VDRE strategy, which is closed to new investors.

### **Verdis Real Estate (“VRE”) Strategy**

#### *Strategy Overview*

Verdis’ VRE strategy seeks to hedge against unanticipated increases in inflation and provide a low correlation to bonds and public entities. To accomplish this, the strategy seeks niche Managers who are operationally-oriented, vertically-integrated, have a history of successful investments within geographic locations or product types and may be expected to have the ability to repeatedly exploit private market inefficiencies to create value through operational or financial dislocations. VRE generally seeks domestic Managers but may invest in non-U.S. Managers.

Verdis currently manages one Verdis Fund using the VRE strategy, which is closed to new Investors.

### **Verdis Micro Venture Capital (“VMVC”) Strategy**

#### *Strategy Overview*

The VMVC is a seed stage venture capital strategy. Verdis’ VMVC strategy seeks to invest in pre-seed and seed stage venture capital managers. The VMVC strategy prefers to invest in managers that remain focused on early stage companies and invest in a significant number of investments. VMVC is focused on domestic Managers, but may invest with non-U.S. Managers, specifically in Asia.

Verdis currently manages multiple investments in the VMVC strategy through the VPE strategy, which is closed to new Investors.

### **Separate Account Strategy**

#### *Strategy Overview*

Verdis' investment strategy with respect to each Separate Account, other than the Funds described above, will be set forth in the applicable Separate Account's Governing Documents.

#### *Separate Account Fee Structure and Investment Terms*

Separate Accounts will generally be charged a management fee equal to a percentage of the net asset value of the Separate Account (such fee, also a "Management Fee"), however different fee arrangements may be created. The specific terms will be included in the Governing Documents for the applicable Separate Accounts. The specific fee terms are subject to negotiation between Verdis and the client. Except as otherwise provided in the Governing Documents, each Separate Account will generally bear all of its investment and trading expenses and most or all of the other expenses listed about as Fund expenses. More detailed information about specific fees and expenses that clients may pay or bear and the timing of the fees that Verdis charges will be provided in the relevant Governing Documents of the applicable Separate Account.

The terms for each Separate Account will be disclosed in detail in the relevant Separate Account's offering materials (if any) and governing documents that are provided to prospective investors prior to investment. Each Separate Account will be managed in accordance with the investment objectives, strategies and guidelines and the terms and conditions of investment, set out in their respective private placement memoranda (if any), registration statement (if any), organizational, governing and other related documents (together, the "Governing Documents"). A prospective client must consider whether a Separate Account is an appropriate investment, including with respect to such client's investment objectives and risk tolerance.

#### *Investment Terms*

Funds associated with each strategy impose certain terms and conditions on investments which may include: minimum investment and account maintenance requirements; lock-ups, gates, notice and periodicity requirements or other limitations on liquidity; and transparency or information rights. Additionally, Verdis may require that a particular Investor redeem all or part of its interest in a Private Fund upon provision of reasonable notice, or without such notice if necessary to ensure that the Private Fund remains in compliance with applicable law or its Governing Documents. In some cases such redemptions may be imposed retroactively. As noted above, any fees paid in advance will generally be refunded, *pro rata*, upon early termination and incentive allocations will be assessed as though the termination date were the end of a performance period. Certain strategies or related Funds may impose fees or charges upon contributions or withdrawals in certain circumstances to cover the costs of investing or redeeming the relevant funds. Such charges, which typically will not exceed 2% of the amount being contributed or withdrawn, are payable to and benefit the Fund and do not inure directly to the benefit of Verdis or any GP (although such charges may have an effect on the size and value of the Fund which, in turn, affects Verdis' management fee and its, or a GP's, incentive allocations).

As with fee provisions, the GP and/or Verdis, as applicable, may determine, in its discretion, to waive, reduce or modify these terms and conditions for any Investor without offering such waivers, reductions or modifications to any other Investor, except as otherwise may be required. As a result, some Investors may have more favorable investment terms, including those relating to information and liquidity, than others. When Verdis grants increased liquidity to an Investor, and particularly where such an agreement is accompanied by enhanced information about the Private Fund's operations or investments (often referred to as "transparency rights") other Investors may be disadvantaged. Because Verdis invests assets for wealth advisory clients in Verdis Funds (and because many, if not all, Wealth Advisory Clients, have a relationship to Verdis) such persons may have greater actual or effective transparency rights than other Verdis Fund Investors. However, Wealth Advisory Clients are not generally granted superior liquidity rights.

#### *Side Pockets*

From time to time, a Fund may be invested, directly or through a special purpose vehicle, in assets that are illiquid or otherwise difficult to value. Verdis may determine to segregate such investments from the Account's main portfolio through the use of "side pockets." For fee billing purposes, that portion of an Investor's capital account attributable to assets committed to a side pocket are assessed management fees at the rate and timing applicable to the Investor's investment (and in accordance with applicable valuation procedures imposed by the Private Fund's Governing Documents or applicable accounting standards); however, incentive allocations with respect to such side pockets are generally not assessed until such investment has been realized (*e.g.*, a sale, disposition or other event which results in the investment becoming marketable or susceptible to valuation). Vehicles may also use side pockets.

#### *Most Favored Nation Provisions*

As a general matter, Verdis is not required to provide notice to, or obtain the consent of, any Investor when waiving, reducing or modifying fee, liquidity or transparency terms for any Investor. However, in certain circumstances, Verdis and/or a GP may agree, in advance or from time to time, to offer a particular Investor the right to be granted equivalent or better terms with respect to (among others) fees, liquidity and/or transparency than have been granted to another, similarly situated Investor in the same strategy (often referred to as a "Most Favored Nation" or "MFN" provision). Such MFN provisions may be contingent upon maintenance of a certain level of relationship with Verdis or on other factors. Where an MFN provision requires that Verdis offer a particular Investor terms that are no less favorable than any that are subsequently (or, in some cases, previously) granted to other, similarly situated Investors, Verdis will take reasonable steps to assure that such an Investor is offered the opportunity to obtain equivalent terms. Where possible, Verdis seeks to negotiate favorable MFNs with Vehicles on behalf of its Clients, but may not be able, and is under no obligation, to do so.

#### *Advisory Contracts with Funds*

Investment advisory contracts between Verdis and the Funds are generally co-terminus with the Fund. Certain Funds may terminate on a date certain or upon the occurrence of

specified events, as described in the relevant Governing Documents or PPM. If an advisory agreement terminates prior to the Fund's stated termination date, if any, the Fund may be liquidated.

*Assets Under Management*

As of December 31, 2018, Verdis managed \$423.7 million in discretionary assets under management (AUM) in the Verdis Funds.

## **ITEM 5: FEES AND COMPENSATION**

### *Fund Fees*

Funds generally charge asset-based management fees. Some Funds may include classes which are subject to incentive fees or allocations, payable to Verdis or the relevant GP. Performance-based fees or allocations (“*incentive allocations*”) may be chosen by certain clients and Investors and will comply with Section 205 of, and Rule 205-3 under, the Advisers Act. Management fees will be pro-rated when Verdis provides services for less than a full billing period. Incentive allocations, if any, are assessed annually and in accordance with the Fund’s Governing Documents and will be assessed upon withdrawal of capital by an Investor or liquidation of an underlying fund, if such withdrawal or liquidation occurs on a date other than the standard assessment date. Incentive allocations are generally calculated and charged separately (and, in certain instances, with respect to each capital contribution or subscription made by an Investor without any “netting”), all as described in the Fund’s Governing Documents. In addition to the fees associated with each Verdis Fund, each Investor bears a *pro rata* share of the fees charged by, and the expenses of, the Vehicles in which the Verdis Fund invests (*e.g.*, management and incentive fees charged by a Manager of a “sleeve account” or pooled vehicle in which assets of a Verdis Fund are invested). Incentive allocations and other arrangements where the incentive to achieve gains may exceed the disincentive to suffer losses may cause an adviser to choose investments that are riskier or more speculative than might otherwise have been chosen.

The particular fees applicable to Funds employing each strategy are included in the strategy descriptions in Item 4 (and, in more detail in each Fund’s Private Placement Memorandum or Governing Documents); however, fees may change over time and different fee schedules may apply if Verdis adopts new investment strategies, establishes additional Funds in an existing strategy or accepts discretionary clients other than Verdis Funds. The specific fee terms for Separate Account clients are subject to negotiation between Verdis and the client. Different Investors in the same Verdis Fund may pay different fees due to the GP’s discretion to allow Investors (such as employees or those with familial relationships with Verdis) to pay different fees. In particular, Verdis may (but is not obligated to) waive or reduce management fees and incentive allocations for Investors who are employees, family members or family entities, of Verdis and for Wealth Advisory Clients. Additionally, the GP’s capital account will not be subject to management fees or incentive allocations (though such incentive allocations may be accomplished through transfers from relevant Investors’ capital accounts to the GP’s capital account). Except as otherwise agreed, Verdis is not obligated to waive or reduce fees for any other Investor when offering such waivers or reductions to a particular Investor.

### *Billing*

Verdis bills each Investor, quarterly in advance. Advance billing is mandatory and is not at the option for the Investor.

### *Other Fees/Expenses*

The Verdis Fund bears the expenses of its operation, including interest expense associated with any borrowing by the Funds under a line of credit or similar facility. The Funds will also bear a pro rata portion of the expenses of each underlying investment made by the Funds, including the fees payable to the underlying Managers. The Funds are responsible for insurance expenses of the Funds, as well as certain investment related expenses, including compliance expenses, due diligence costs including background checks on managers, legal review of underlying manager documents, subscriptions to industry related publications and investment related travel, including conferences and manager visits. The Funds pay their pro rata share (among other funds and accounts managed by Verdis) of certain investment related expenses, including fees for access to databases and the costs of portfolio management hardware and software. The Funds also pay the continuing expenses of offering the interests (exclusive of placement fees) and all of their own overhead and administrative expenses, including fees payable to the Funds' administrator, including filing fees, legal expenses, tax preparation expenses and the fees associated with an annual audit.

Except as otherwise provided in the Governing Documents, each Separate Account generally bears all of its investment and trading expenses and most or all of the other expenses listed about as Fund expenses. More detailed information about specific fees and expenses that clients may pay or bear and the timing of the fees that Verdis charges will be provided in the relevant Governing Documents of the applicable Separate Account.

### *Valuation*

Verdis is compensated, and a GP may receive incentive allocations, based on the market value and/or performance of Accounts; Managers (and any affiliates of those Managers' serving as a GP) are similarly compensated with respect to Vehicles. As a result, to the extent that Verdis and/or a Manager values a security higher than its current market value (or where such market values are unreliable), Verdis and/or the Manager may benefit by receiving a management fee or incentive allocation that is increased by the impact, if any, of such valuation discrepancy. Additionally, where a Fund or an Investor purchase or redeems interests in a pooled vehicle at a net asset value ("NAV") that is impacted by a discrepancy in valuation, that person may receive a greater or lesser interest (or increased or decreased redemption proceeds) than would have been the case absent the discrepancy. Similarly, existing and continuing investors may be subject to dilution or accretion. A significant percentage of the assets in which Accounts managed by Verdis invest are private funds that may, at any time or from time to time, be illiquid, thinly traded or otherwise difficult to value and/or may invest in securities or other assets that are similarly difficult to value. As a result, and as discussed below, Verdis and relevant Managers employ various valuation policies and procedures to mitigate the conflicts and potential for material pricing discrepancies and to assure that assets are valued in good faith and as accurately as is reasonably practicable. Under these procedures, assets held are typically valued as agreed in relevant Governing Documents or, in the absence of specific and stated valuation procedures, at fair or market value. Valuation procedures

may differ markedly for Accounts or Vehicles investing in private equity and similarly illiquid mandates.

Verdis generally expects to price interests in Vehicles based primarily on information provided by a Manager or other service provider to the Vehicle. To assist in pricing, Verdis requires that Vehicles provide monthly NAV statements and/or estimated monthly fund performance (VOGE and VH strategies) or quarterly, unaudited capital account balances (VRA, VRE, VER, VPE, and Separate Account strategies). This valuation information is generally net of fees and is calculated based upon the Manager's valuation of positions held in the Vehicle (supported, in some cases, by independent pricing services or other third-party information); but in each case in accordance with the Manager's valuation procedures. Although valuation procedures vary from Manager to Manager, as a general matter: (i) listed investments are marked-to-market based on the last reported sales prices, on the relevant trading market, on the day of valuation (if no sales occurred on such day, then the valuation will be the "bid" price if held long and the "ask" price if held short at the close of business on the valuation date); and (ii) other investments are valued using an appropriate method as determined by the relevant Manager to determine the fair value of the investment (such methods may include comparable company valuations, net asset valuations and discounted cash flows. Verdis or a Manager also may rely on values and information provided by third party pricing services or a custodian. When intra-period pricing is required, or when otherwise deemed appropriate, Verdis may consult or rely on independent assessments of the value of positions held by a Vehicle and may adjust values previously obtained from a Manager to account for subsequent valuations or audit information as well as contributions, distributions or withdrawals, as applicable.

Verdis may be required to manually price or "fair value" one or more assets (including, but not limited to, Vehicles) held by, or on behalf of, a Fund or wealth advisory client Account and Managers may be required to manually price or fair value assets held by or in a Vehicle. Fair valuation may be necessary where pricing or valuation information with respect to an asset is unavailable or unreliable due to market dislocations, loss of pricing coverage or market-making activities by broker-dealers, mergers and liquidations of broker-dealers or third-party pricing vendors that previously supplied pricing data, the distressed nature of certain forced asset sales due to de-leveraging transactions, extreme market volatility in certain asset classes, uncertainty surrounding potential or actual government intervention in the markets for certain assets and other factors that Verdis or a Manager determines may diminish the timeliness, accuracy or reliability of pricing information. For example, a market quotation may be deemed unreliable or not readily available if, among other reasons, the asset does not have a price source due to lack of liquidity, the price provided varies significantly from a recent trade, the security or asset is thinly traded, recent asset sales represent distressed sales prices not reflective of the price a market participant might reasonably expect to receive from the current sale of that asset in an arm's-length transaction (*i.e.*, one in which both the buyer and seller acted knowledgeably, prudently, and without compulsion), or there is a significant material event subsequent to the most recent market quotation or pricing information. A good faith

judgment as to whether an event would constitute a “significant event” or whether a valuation is unreliable or not readily available may, in hindsight, prove to be incorrect.

Verdis and Managers may use a variety of fair value techniques or methodologies and may rely on third-party service providers to assist in valuations when market quotations are not readily available or are believed to be unreliable. When determining the fair value to be assigned to an asset in these circumstances, the relevant party generally seeks to determine, in good faith, the price that a client might reasonably expect to receive from the current sale of that asset in an arm’s-length transaction, considering such factors as the nature and type of asset, the marketplace in which the asset trades, the pricing and trading history, if any, of the asset and of similar assets and issuers and the use of valuations based on net assets or discounted cash flows. Fair value determinations also may be based on or consider analytical values determined using proprietary or third-party valuation models. Investors should be aware that the models, information and/or underlying assumptions utilized will not always correctly capture the fair value of an asset; rather fair value or manual pricing is intended to yield a good faith approximation of the value of an asset and cannot, *before the event*, be guaranteed to have reflected the actual or empirical value of any asset, as might be determined with the benefit of hindsight (particularly in periods of market distress) as fair value price adjustments may prove incorrect as to direction and magnitude. Thus, the fair value assigned to an asset may not match the next available and reliable market price or, in retrospect, have been the price at which that asset could have been sold during the period in which the particular fair values were being used in determining value for performance, fee calculation or NAV purposes which may impact: (i) the cost paid or proceeds realized upon the purchase or disposition of the asset; (ii) the management fees and incentive allocations paid; and (iii) the percentage interest assigned in connection with a contribution or the proceeds received upon a withdrawal.

#### *Sales-based Compensation*

Verdis does not provide sales-based compensation in the form of sales commission. Employees receive a discretionary bonus. Additionally, all Verdis officers and employees have an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interest. Verdis’ Code of Ethics and Compliance establishes a framework, as well as specific guidelines, to provide direction to officers and employees. Employees certify on an annual basis adherence to Verdis’ Code of Ethics and Compliance, including conflicts of interest policy. In general, Verdis believes the use of good judgment, based on high ethical principles, will guide employees with respect to lines of acceptable conduct. Should a situation arise where there exists a potential conflict of interest, the firm’s senior management team, with the guidance of Verdis’ Chief Compliance Officer and, when necessary, outside counsel, would determine the appropriate course of action.



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

### *Performance-based Fees*

Verdis' accepts both performance fees and flat asset-based fees for the VH, VRE, VDRE, VER and VOG strategies. The VPE and VRA strategies accept flat asset-based fees only. The Separate Account strategies may be charged an incentive fee equal to a percentage of net profits in the Account (such incentive fee, also "Performance Compensation"). The specific terms are included in the Governing Documents for the applicable Separate Accounts. Because Verdis may have an incentive to favor certain Accounts over others that may be less lucrative, such a conflict may present particular concern. In addition, the use of performance fees could encourage Verdis to take excessive risks and may place the interests of Verdis ahead of the interests of the Investor. To mitigate these conflicts, Verdis' policies and procedures seek to provide guidelines for managing conflicts of interests. Additionally, Verdis does not advise Investors on fees. Each Investor makes a decision on their own as to which fee class they would like to invest in.

As mentioned in Item 5, all Verdis officers and employees have an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interest. Verdis' Code of Ethics and Compliance establishes a framework, as well as specific guidelines, to provide direction to officers and employees. Employees certify on an annual basis adherence to Verdis' Code of Ethics and Compliance, including conflicts of interest policy. In general, Verdis believes the use of good judgment, based on high ethical principles, will guide employees with respect to lines of acceptable conduct. Should a situation arise where there exists a potential conflict of interest, the firm's senior management team, with the guidance of the Chief Compliance Officer and, when necessary, outside counsel, would determine the appropriate course of action.

### *Conflicts of Interest Associated with "Side-by-Side" Management*

From time to time, Verdis may take an investment position or action for one or more Accounts that may be different from, or inconsistent with, an action or position taken for one or more other Accounts having similar or differing investment objectives and such actions may be taken at differing, and potentially inopportune, times. When a position is established or disposed for one Account ahead of, or contemporaneously with, similar portfolio decisions or strategies for another Account, market impact, liquidity constraints, or other factors could result in one or more Accounts receiving less favorable trading results, the costs of implementing such portfolio decisions or strategies could be increased, such Accounts could be diluted, the values, prices or investment strategies of another Account could be impaired or such Accounts could otherwise be disadvantaged. The nature and amount of compensation paid to Verdis and/or a GP by Funds that may be managed to investment strategies which involve investing in similar, competing or conflicting investments, may differ. Additionally, Verdis and its personnel may have differing investment or monetary interests in various Verdis Funds. Verdis faces a potential conflict of interest when (i) the actions taken on behalf of one Account may impact other similar or different Accounts (e.g., because such Accounts have the same or

similar investment strategies or otherwise compete for investment opportunities, have potentially conflicting investment strategies or investments, or have differing ability to engage in short sales and economically similar transactions) and (ii) Verdis and its personnel have differential interests in such Accounts (*i.e.*, expose Verdis or its related persons to differing potential for gain or loss through differential ownership interests) because Verdis may have an incentive to favor certain Accounts over others that may be less lucrative. Such conflicts may present particular concern when, for example, Verdis places or allocates the results of securities transactions that Verdis believes could more likely result in favorable performance or engages in cross trades. To mitigate these conflicts, Verdis' policies and procedures seek to provide that investment decisions are made in accordance with the fiduciary duties owed to such Accounts and without consideration of Verdis' (or such personnel's) monetary, investment or other financial interests.

## **ITEM 7: TYPES OF CLIENTS**

Verdis Funds may be organized under the laws of a U.S. jurisdiction (“U.S. Funds”) or under the laws of jurisdictions outside of the U.S. (“Offshore Funds”). U.S. Funds are typically organized as a Delaware limited partnership, with Verdis or an affiliate serving as a fund’s general partner (“GP”). Offshore Funds are often organized as corporations or analogous entities under relevant local law and typically have a board of directors rather than a GP. Personnel of Verdis may serve as directors, however a majority of the directors will generally be unaffiliated with Verdis. Where an affiliate serves as GP, it is expected that the affiliate will be wholly-owned by Verdis or its principals.

Services provided to Verdis Funds by the GP and/or Verdis or its personnel or affiliates also may include, in addition to advice, organizing and managing the Private Fund’s business affairs, preparing financial statements and providing audit support, preparing tax-related schedules and documents, marketing support (this can be both sales and marketing), IT services, compliance and Investor relations); as noted above, Verdis Funds typically pay their own operating expenses, separate and apart from the advisory fee, or otherwise reimburses the GP, Verdis or such personnel or affiliates, for these and other services as well as for certain organizational and offering expenses related to the Verdis Fund (other than placement fees). Such services, and any expenses or reimbursements related thereto, will generally be provided in accordance with the Verdis Fund’s Governing Documents and described in the Verdis Fund’s PPM. Additionally, due to its relationship with certain of the Verdis Funds, Verdis may be in a position, directly or through an affiliate, to access a Verdis Fund’s account. The requirements of Rule 206(4)-2 under the Advisers Act (the “Custody Rule”), apply with regard to the custody of the funds and securities of such Verdis Funds. As discussed in response to Item 11, below, Investors will generally receive, on an annual basis, audited financial statements of the relevant Verdis Fund(s) within 180 days after the end of the Verdis Fund’s fiscal year (120 days with respect to Verdis Funds, if any, that are not “funds of funds” as defined in the Custody Rule).

The Verdis Funds are not registered as investment companies under the Investment Company Act of 1940 (the “1940 Act”). All U.S. Funds (and any Offshore Fund in which U.S. persons invest) will be excepted from the definition of an “investment company” pursuant to Section 3(c)(1) of the 1940 Act (“3(c)(1) Funds”) or Section 3(c)(7) of the 1940 Act (“3(c)(7) Funds”). Compliance with these exceptions (and other applicable law) requires the Verdis Funds to restrict the classes of persons who may invest. Interests in 3(c)(1) Funds generally may be offered only to persons who are both “accredited investors” as defined in Regulation D under the Securities Act of 1933 (the “1933 Act”) and, where an incentive allocation is included, “qualified clients” as defined in Rule 205-3 under the Advisers Act. Interests in 3(c)(7) Funds generally must be offered to persons who are both accredited investors and “qualified purchasers” as defined by Section 2(a)(51) of the 1940 Act. However, interests in any Offshore Fund may be offered outside the U.S. to persons who are not “U.S. Persons” as defined in Regulation S under

the 1933 Act and such Offshore Funds may also be offered on a private placement basis to U.S. entities (typically tax exempt) who meet the applicable eligibility requirements.

In some cases, a Private Fund may be a commodity pool for which Verdis is a commodity pool operator that is (i) exempt from certain reporting, recordkeeping and disclosure requirements pursuant to Rule 4.7 under the Commodity Exchange Act (the “CEA”) or (ii) exempt from registration and related requirements pursuant to Rule 4.13(a)(3), Rule 4.13(a)(4) or other provisions of or rules under the CEA and, in connection with these exemptions, Investors may be required to meet additional requirements. Investors may also be subject to additional eligibility requirements, as set forth in the relevant PPM.

In some cases, Verdis may establish a Separate Account and the services provided to that Separate Account are tailored to the individual needs of the Investor. When deemed appropriate for a large and/or strategic investor, Verdis may establish a Separate Account that tailors its investment objectives to those of the specific investor and/or is subject to different terms and/or fees than those of the Verdis Funds.

Verdis personnel (including, but not limited to, portfolio management personnel responsible for the management of the Verdis Funds) who are “knowledgeable employees” (as defined in Rule 3c-5 under the 1940 Act) or who meet the Verdis Fund’s eligibility criteria may invest in the Funds. Verdis itself, its affiliates or its related persons may also hold investment and/or GP interests in Verdis Funds and may have different compensatory, investment or monetary interests in such Verdis Funds, including some which follow similar, complementary or competing strategies.

#### *Investment Minimums*

Each Verdis Fund may establish investment minimums, which may vary from strategy to strategy or within a strategy. Please refer to each funds’ documents for additional information.

#### *Capacity Limitations*

Verdis believes that certain Verdis investment strategies (in particular, those which focus on illiquid or less liquid asset classes) could potentially be subject to reasoned capacity limitations in order to facilitate effective management of Accounts following that strategy. Verdis believes that such capacity limitations are properly based on the prevailing trading volume and liquidity within the relevant market generally and for specific potential investments within the relevant asset class. Verdis periodically monitors liquidity and trading experience to assess its ability to effectively establish new positions or exit existing positions on behalf of Accounts utilizing the relevant strategy without undue market impact or risk of undue delay in executing transactions. Verdis seeks to preserve its ability to consistently execute its investment discipline with sufficient flexibility and to adhere to the risk controls and investment guidelines applicable to relevant Accounts within such strategy, including those related to the number and size of positions held therein. Based on these factors, Verdis may establish and periodically review capacity limitations applicable to each investment strategy and may, in its discretion, determine to

cease accepting new Accounts or investments and/or to limit additional contributions to existing Accounts based on those capacity limitations. Consequently, Verdis may, in its discretion, open, close or restrict any investment strategy or Verdis Fund to new investments from time to time. When Verdis determines to restrict new investments, it may in its sole discretion accept or reject in whole or in part any request to invest in a Verdis Fund associated with that strategy, without regard to the amount of net subscriptions accepted for any other Verdis Fund employing the strategy. Capacity limits may be waived or modified by Verdis, on a case-by-case basis.

The Adviser's clients include privately placed pooled investment vehicles (each a "Private Fund"). This Brochure may be provided to current or prospective investors in a Private Fund, together with the Private Fund's private placement memorandum ("PPM"), organizational documents and other related documents (the Private Fund's "Governing Documents"), prior to or in connection with such person's consideration or execution of an investment in a Private Fund, and may subsequently be provided in the Adviser's discretion or, annually, at the request of an investor in the Private Fund(s) (each an "Investor"). Investors and other recipients should be aware that while the Brochure may include information about the Private Funds, as necessary or appropriate, it should not be considered to represent a complete discussion of the features, risks or conflicts associated with any Private Fund. More complete information about each Private Fund is included in the Private Fund's private placement memorandum ("PPM"), which may be provided to current and eligible prospective investors only by the Adviser or another authorized party.

**In no event should this Brochure be considered to be an offer of interests in a Private Fund or relied upon in determining to invest. It is also not an offer of, or agreement to provide, advisory services directly to any recipient.**

Rather, this Brochure is designed solely to provide information about the Adviser for the purpose of compliance with certain obligations under the Investment Advisers Act of 1940, as amended (the "Advisers Act") and, as such, responds to relevant regulatory requirements under the Advisers Act, which may differ from the information provided in a PPM. To the extent that there is any conflict between discussions herein and similar or related discussions in any PPM, the PPM shall govern.

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

Verdis generally employs a “manager of managers” or fund-of-funds approach in providing advisory services to the Funds, whereby Verdis makes recommendations or has discretion to make decisions as to the investment of capital with third party Managers (either through the retention of such manager as a sub-adviser to a portion of the Account or investment of Account assets in a pooled investment vehicle advised by the Manager). Consistent with Verdis’ manager of managers approach, Verdis is responsible for developing the investment program for each Account (subject to the IMA and relevant Governing Documents). This Brochure uses the term “Vehicle” to refer to the Managers or pooled vehicles (including, with respect to Managed Accounts, Verdis Funds) through which day-to-day discretion over Account assets is exercised.

Managers may invest in Vehicles that employ a broad variety of investment strategies (e.g., equity long/short, arbitrage, event-driven, fixed-income (including, without limitation, high yield and distressed, macro analysis, traditional long only equities, venture capital, private equity and natural resources). Verdis has discretion to make investments in Vehicles on behalf of Verdis Funds and retains discretion to invest vehicles directly in a wide array of securities or other assets. Additionally, Verdis may have discretion to make investments in vehicles on behalf of Separate Accounts pursuant to the Governing Documents of the Separate Account. Neither Verdis nor its principals, officers, employees or agents make equity investments in (or otherwise are compensated by or have a monetary interest in) Managers but each may invest, directly or indirectly (including through a Verdis Fund) in a Vehicle.

Through Verdis’ fund-of-funds strategy, Clients are able to delegate due diligence to Verdis. Through Verdis’ Manager sourcing and due diligence process, Verdis seeks to identify Managers that may not otherwise be readily accessible to Clients and to select Vehicles and Managers based on Verdis’ perception of the Manager’s ability to: (i) produce attractive long-term, risk-adjusted investment results; (ii) manage risks; and (iii) perform well in markets where investment conditions are difficult. In doing so, Verdis prefers Managers that have a strong alignment of interests with Investors by investing in or alongside the relevant Vehicle and considers:

- Relevant investment management experience;
- History of consistent returns with respect to its investment style;
- The degree to which a Vehicle complements and balances the Account’s portfolio with respect to the strategies employed by other Vehicles;
- The quality and stability of the Manager’s organization;
- The ability of the Account to make withdrawals or liquidate its investment; and
- The ability of each Manager to consistently and effectively apply its investment approach.

Although Verdis may utilize, in connection with management of Account assets and the selection of Vehicles, traditional methods of analysis and sources of information, Verdis believes that the data gained from general methods of securities analysis is not necessarily indicative of the potential value added by a Manager and, therefore, Verdis does not exclusively or principally rely on such methods when seeking, monitoring and analyzing the performance and strategies of a Manager or Vehicle. Instead, consistent with Verdis' fund-of-funds strategy and its goal of selecting Vehicles offered by Managers that Verdis believes will add value through their skill and commitment to ethical standards, the methods Verdis uses to analyze Vehicles and the sources of information it considers when performing such analyses may differ from those used by Verdis (or other advisers) when exercising authority over traditional advisory accounts. Verdis' analytical process is intended to assist in understanding the strategies and approaches of potential Vehicles.

As deemed necessary or appropriate by Verdis in conducting diligence and ongoing monitoring and in making and maintaining allocations, Verdis performs in-depth research on Managers and Vehicles – collecting, analyzing and evaluating a wide variety of information for each Manager, including its personnel, history, background, security selection and trading methodologies, and portfolio and risk management systems. This research effort is comprehensive, utilizing a combination of: financial databases, publications (including newspapers, magazines, books, directories and trade journals); searches of published reports; interviews and discussions with Manager representatives, brokers, investment professionals, third-party service providers, etc.; reviews of audited financial statements, offering memoranda, holdings and transactions schedules, as necessary to help understand investment strategies and to learn more about potential Managers. Verdis also relies on networking with peers (largely from its endowment network), colleagues, family or friends, or networking industry events for opportunities as well as partnering with other financial institutions or experts who have contacts who may provide analysis and information. The Verdis investment team analytically reviews and considers the investment styles, strategies and performance of Vehicles included or considered for Client Accounts as well as other products offered by Managers, to the extent data is reasonably available. Additionally, Verdis conducts operational due diligence on each manager. This includes, but is not limited to a review of general information on the Manager, the Manager's back-office operations (finance, operations, accounting), personnel, third-party service providers and interviews with key personnel. Verdis also attempts to regularly contact managers for their analysis of significant events as they relate to their investment strategies and influence their investment decisions. Verdis seeks to independently corroborate the information received in order to reach conclusions as to each Manager's reputation, risk profile, value added, consistency and resources (e.g., personnel, systems and size characteristics).

Once Verdis has identified a Manager, Verdis seeks to negotiate with the Manager to determine the form of the Vehicle (e.g., private fund or managed account) as well as related fees and other material terms. Once Verdis determines to commit a portion of an Account to a particular Vehicle, the relevant Manager has complete discretion over the management of such assets (subject only, in the case of a Vehicle which is a pooled

vehicle, to the Vehicle's governing documents and, in the case of a Vehicle which is a sub-advised account, to the relevant sub-advisory contract and investment objectives and restrictions agreed to by Verdis on behalf of the Client and the relevant Manager) and arranges for the execution of portfolio transactions. Verdis serves in an oversight role and may or may not have discretion (subject to the IMA) to allocate and re-allocate assets among such Vehicles (or to Verdis' direct management), to terminate a Manager as a Vehicle and to retain additional Managers as Vehicles. On a continuing basis, Verdis monitors Managers and Vehicles, engaging in frequent dialogues with the Manager and reviewing available information to verify: investment objective and guideline compliance; employee turnover; amount of assets under management; ongoing returns and risks; continuity of the Vehicle's portfolio and operations and, as discussed in Item 12, below, how a Manager exercises investment and brokerage discretion when evaluating Vehicles. However, Verdis does not evaluate each decision made by the Manager or have the authority to approve or disapprove any particular transaction prior to (or following) execution.

#### *Risk of Loss*

Verdis' experience in alternative investments and private partnerships, asset allocation and global investing and its fundamental approach to evaluating Managers and selecting Vehicles is intended to result in a disciplined approach to risk management for Accounts having a long-term investment horizon. While Verdis expects that its fund-of-funds approach (and attendant diversification) should mitigate risk, risk is inherent in any investment and certain of the investments made and strategies utilized for an Account may entail enhanced risks which cannot be easily mitigated. Such risks may include: counterparty risk, interest rate risk, volatility risk, currency risk, world and local economic and governmental risks, market risk, liquidity risk and selection risk. These risks may be particularly pronounced for strategies that are concentrated or employ significant leverage.

Alternative investments are subject to less regulation than mutual funds and other types of pooled investment vehicles, may be illiquid and can involve a significant use of leverage, making them substantially riskier than other investments. Prior to investing, investors are strongly urged to review carefully the Fund's Governing Documents and all related fund documents, to ask such additional questions of the investment manager of the Fund as they deem appropriate and to discuss any prospective investment in the Fund with their legal and tax advisers.

Potential investors in the Fund should carefully consider the following as well as the more expansive discussion of risk factors contained in each Funds' Confidential Offering Memorandum.

- Past performance is not indicative of future results. Future returns are not guaranteed and an investor in the Fund could lose all or a substantial amount of his or her investment.
- The Fund is not subject to the same regulatory requirements as mutual funds. In addition, the Fund's fees and expenses (which include the



performance fees and expenses charged by the underlying portfolio managers with whom the Fund invests as well as the direct fees and expenses of the Fund) are higher than those of a mutual fund and may offset all or a significant portion of the Fund's investment profits.

- The underlying portfolio managers in which the Fund will invest may engage in leveraging and other speculative investment practices that may increase the risk of investment loss.
- While the Fund seeks to limit volatility, the Fund's actual performance may be volatile.
- The underlying portfolio managers have total trading authority over the investment of the Fund's assets allocated to them. However, the investment manager of the Fund has discretion to select or terminate such underlying portfolio managers.
- While the investment manager of the Fund seeks to control risk when possible, the Fund may involve a higher degree of risk than some other investments, and its ability to achieve its investment objectives may be considered speculative compared to some other investments.
- Since the underlying portfolio managers with whom the Fund invests may invest in foreign securities, the Fund will be subject to risks that differ from the risks of investing in U.S.-based issuers. These include the risk of losses due to a lack of publicly available information, fluctuating currency values, less liquid trading markets, greater price volatility, political and economic instability, and changes in tax or currency laws or monetary policy. The risks of investing in foreign securities are likely to be greater for investments in countries with emerging markets than in countries with developed markets.
- The Fund is not subject to the same regulatory requirements as mutual funds, and is not required to provide periodic pricing or valuation information to investors.
- There is no secondary market for the Fund's interests and none is expected to develop. There are restrictions and limitations on an investor's right to request a withdrawal and general prohibitions against an investor's right to transfer all or a portion of his or her interest in the Fund. As a result, an investor's investment in the Fund should be viewed as an illiquid investment.
- The Fund's ability to disseminate important tax information to its investors is dependent upon its receipt of corresponding information from each of the underlying portfolio managers with whom the Fund invests. As a result, there may be a delay in the Fund's tax reporting to investors.
- No assurances can be made that any expectations, strategies and/or goals expressed or implied will be realized or successful or that the activities or any described performance will continue in the same manner or at all.

**ITEM 9: DISCIPLINARY INFORMATION**

Not Applicable.

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

Verdis has material business relationships with the General Partnerships (GP) of the Verdis Funds. This includes the Verdis Funds in the VH, VRA, and VOG strategies. While Verdis serves as the General Partner (GP) for VH and VOG strategies, a separate General Partner, Verdis Private Equity Partners, LLC serves as General Partner to the VPE strategy. A third General Partner, Verdis Real Assets Capital, LLC serves as the General Partner for the Verdis Funds in the VRA strategy. A fourth General Partner, VRAF III GP, LLC, serves as the General Partner for the Verdis Funds in the VRE and VER strategies. A fifth General Partner, University Terrace GP LLC, serves as the General Partner to the VDRE strategy.

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

### *Code of Ethics*

Verdis' Code of Ethics and Compliance was adopted in accordance with Rule 204A-1 under the Advisers Act ("Rule 204A-1") to govern personal transactions by access persons and to assure that their interests do not conflict with the interests of managed Accounts or, as applicable, Investors in Private Funds. As such, Verdis' code includes: (i) standards of business conduct, requiring that covered persons comply with relevant provisions of the federal securities laws and the fiduciary duties an investment adviser owes to its clients; (ii) personal securities transaction policies governing the personal investment activities of relevant personnel and requiring the submission by such persons of reports regarding their personal trading accounts and activities; and (iii) an insider trading policy, adopted in conformity with Section 204A of the Advisers Act. Investors may obtain a copy of Verdis' code of ethics and compliance upon request. Verdis' contact information appears on the cover page of this Brochure.

Under the Code, Verdis' directors, officers, and employees are held to the highest standard of honest and ethical conduct when conducting the firm's affairs. These persons are expected to be familiar with (and adhere to) those principles and procedures set forth in the Code, to the extent applicable, and have agreed to be governed by the Code in order to:

- promote honest and ethical conduct, including fair dealing and the ethical handling of conflicts of interest;
- promote full, fair, accurate, timely, and understandable disclosure;
- promote compliance with applicable laws and governmental rules and regulations;
- promote the prompt internal reporting of violations of the code;
- establish accountability for adherence to the code;
- ensure the protection of Verdis' legitimate business interests, including corporate opportunities, assets, and confidential information; and
- deter wrongdoing.

A copy of the Code is available to current and prospective Investors upon request and without charge.

### *Standards of Business Conduct*

A basic tenet of Verdis' Code is that the interests of clients are always placed first. The Code includes standards of business conduct requiring covered persons to comply with the federal securities laws and the fiduciary duties an investment adviser owes to its clients. Verdis' standards of business conduct, among other things: (i) restrict such persons from (a) giving or accepting certain gifts and inducements from or to clients or others doing business with the firm when such gifts or inducements may present a material conflict of interest or (b) otherwise taking advantage of their position with

Verdis; and (ii) require that access persons (a) treat clients fairly and consistently with Verdis' compliance procedures, (b) provide disinterested advice to clients insulated from personal or business conflicts of interest and (c) report potential violations of the Code to Verdis' Chief Compliance Officer (CCO). Failure to comply with the Code may result in serious sanctions, up to and including dismissal or personal liability.

#### *Personal Securities Transactions Policy*

Verdis' Code also includes a personal securities transactions policy which imposes certain requirements and restrictions with respect to personal trading and investment activity by access persons. In appropriate circumstances the CCO may grant waivers to the Code's restrictions.

As required by Rule 204A-1, any access person seeking to participate in an initial public offering ("*IPO*") or limited offering or private placement (including the purchase or acquisition of interests in a Verdis Fund) must obtain prior approval from Verdis' CCO ("*pre-clearance*") in order to invest. Vehicles are typically offered through private placements and, as such, are subject to pre-clearance. Verdis typically will not permit an access person to invest in a Vehicle on a personal basis except where such investment will not disadvantage any Client. Thus, such investments will be permitted only when a Vehicle has sufficient capacity to support the personnel investments and all relevant Client Accounts.

Additionally, access persons generally will not be permitted to execute transactions in specified securities on the same day that Verdis executes a Client transaction in the same (or a related) security nor will Verdis typically grant pre-clearance for access person purchases of securities Verdis knows to be held in or considered for a Client Account. However, as noted above, Verdis' manager of managers style is such that Verdis does not exercise discretion over all of a Client Account on a day-to-day basis. Rather, Verdis selects Vehicles to fulfill all or a portion of the Client Account's investment program and the Managers of the Vehicles utilized in the management of Client Accounts have discretion to select the investments held through such Vehicle (*e.g.*, where a Vehicle is a private fund managed by a Manager selected by Verdis, the Manager has discretion over the investments purchased, held and sold by the private fund). Because Verdis often does not have access to (or knowledge of) the investment decisions made by such Managers, it cannot always be aware of the particular securities held by, or transactions pending for, a Vehicle. Consequently, it is possible that Verdis or its related persons may have the same or divergent interests in investments held through, or transactions executed on behalf of, a Vehicle. However, Verdis considers any available information about transactions pending for, and the holdings of, Vehicles when making pre-clearance decisions to assure (to the extent practicable) that Clients are not disadvantaged by an access person's personal trading activities. Where Verdis or an access person has actual knowledge of pending transactions within a Vehicle or reasonably believes that a personal securities transaction is likely to disadvantage or represent a material conflict of interest with a Client, Verdis may limit or preclude such personal securities transactions.

### *Insider Trading Policy*

Verdis and its related persons may, from time to time, come into possession of material nonpublic and other confidential information which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, Verdis may be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, regardless of whether such other person is an advisory client. Accordingly, should Verdis come into possession of material nonpublic or other confidential information with respect to any company, it may be prohibited from communicating such information to, or using such information for the benefit of its managed Accounts, and have no obligation or responsibility to disclose such information to, nor responsibility to use such information for the benefit of, such Accounts when following policies and procedures designed to comply with law. Accordingly, Verdis' Code includes an "Insider Trading Policy" which establishes procedures to prevent the misuse of material nonpublic information by Verdis' supervised persons.

### *Reporting Requirements under the Code*

To assist Verdis in monitoring personal trading activities in order to detect potential conflicts of interest or violations of the Code, fiduciary duty or applicable law, access persons must provide periodic reports with respect to personal securities transactions, holdings and accounts, including annual reports of holdings in certain, reportable securities and quarterly reports of their personal transactions in reportable securities. To facilitate compliance with reporting requirements, access persons may direct their brokers to send copies of all brokerage statements and confirmations relating to all personal securities transactions and accounts in which they have a beneficial ownership interest. These reports and relevant brokerage statements and confirmations are submitted to and reviewed by the CCO. The CCO's reports and pre-clearance requests will be reviewed by another appropriate officer of Verdis. If any violation of the Code, fiduciary duty or applicable law with respect to trading activities is determined to have occurred, the CCO may impose sanctions and take such other actions, including, without limitation, requiring that the trades in question be reversed and/or profits be disgorged.

## **ITEM 12: BROKERAGE PRACTICES**

### *“Soft Dollar” or Research/Execution Policy*

Client commissions and commission equivalents charged by broker-dealers often cover services beyond “pure” execution of the particular transaction. Brokers typically provide a bundle of services including research and execution of transactions. Research services provided by a broker can be either proprietary (created and provided by the broker, including tangible research products as well as access to analysts and traders) or third-party (created by a third party but provided by the broker). A Manager (or Verdis, to the extent it exercises discretionary authority) may consider research and other services provided by brokers in making trading decisions and, as it deems appropriate, may use a portion of the commissions generated when executing client transactions (commonly referred to as “soft dollars”) to acquire useful research and brokerage services (“soft dollar items”) in a manner consistent with the “safe harbor” provided by Section 28(e) of the Securities Exchange Act of 1934.

Under the safe harbor, as it has been interpreted by the SEC, advisers may use soft dollars to acquire soft dollar items even where such soft dollar items may also be available for cash, to the extent appropriate and permitted by law, when such items assist the adviser in meeting clients’ investment objectives or in managing client accounts. In order to maintain the protection of the safe harbor when “paying up” (*i.e.*, paying more than the lowest available commission rate) for soft dollar items, an adviser must determine that the soft dollar item:

- (i) with respect to research, consists of advice, analyses or reports containing substantive content with respect to appropriate subject matter(s) or (ii) with respect to brokerage, is sufficiently related to the effectuation, clearance or settlement of a transaction and is provided and/or used during the time period commencing when the adviser communicates with the relevant broker-dealer for the purpose of transmitting an order for execution and concluding when the funds or securities are delivered or credited to the advised account or accountholder’s agent (the “temporal standard”);
- provides lawful and appropriate assistance to the adviser in carrying out its relevant responsibilities to discretionary accounts; and
- is acquired for an amount of commissions which is reasonable in relation to the value of the product or service.

The following discussion summarizes Verdis’ policies with respect to its use of soft dollars and its consideration and review of a Manager’s soft dollar policies and practices:

Verdis does not currently use soft dollars. Soft dollar items that may or may not be used by a Manager include: research reports and analyses; access to analysts, traders and industry participants; information about markets and the availability of investment opportunities; and products which assist in the communication, execution or settlement of transactions. Although clients are expected to benefit from these soft dollar items, Verdis

(if it were to use soft dollars) or a Manager would also benefit, as the receipt of soft dollar items may allow Verdis or the Manager, at no direct cost, to among other things: (i) supplement and enhance its own research and analysis activities; (ii) receive the views and information of individuals and research staffs of other securities firms; and (iii) gain access to persons having special expertise on certain companies, industries, areas of economy and market factors and/or achieve trading efficiencies. Thus, these services may benefit the adviser as well as the accounts it manages.

In accordance with Verdis' or a Manager's applicable policies and procedures, Verdis or a Manager may select broker-dealers based on an assessment of each broker-dealer's ability to provide quality executions and a belief that any soft dollar items provided by such broker-dealer benefit clients. Accordingly, an Account may be caused to pay a commission in excess of the lowest commission that might otherwise be available if Verdis or the Manager, as applicable, determines in good faith that such excess is reasonable in relation to the value of the soft dollar items provided by those broker-dealers, viewed either in terms of a particular transaction or the overall duty to such Accounts.

Consistent with Verdis' belief that brokerage is a Client asset, Verdis seeks (and expects that Managers will seek) to use soft dollars associated with client transactions responsibly to benefit clients. However, soft dollar items will not always be utilized for the specific Account that generated the soft dollars. First, the value of soft dollar items often cannot be measured precisely and commissions costs associated with the acquisition of soft dollar items are not generally able to be allocated among accounts in direct proportion to the value of the soft dollar item to each account. Second, where transactions are batched for execution, brokerage commissions attributable to one or more participating accounts may be allocated to brokers who provide statistical data and other research used in managing the accounts of other clients, and vice versa. Thus, at least in the short run, commissions paid in one account may, in effect, subsidize soft dollar items that are used in managing another Account – and, where soft dollars are generated in a portion of an account committed to an Vehicle, benefits may be shared with (or inure exclusively to) other accounts managed by the Manager. However, as these soft dollar items are intended to enable the relevant adviser to make better investment decisions and execute more effective trades for all clients, the safe harbor allows an adviser to consider either a particular transaction or the overall duty owed to discretionary accounts when determining that paying up for soft dollar items is appropriate. As such, if Verdis were to use soft dollars, it would not expect to attempt to allocate soft dollar items among Accounts (nor does Verdis expect that Managers will do so).

Where a soft dollar item includes multiple uses some of which are not consistent with the safe harbor (a “*mixed use item*”), the adviser may allocate soft dollars for a portion of the mixed use item and pay the remainder in cash. Although the allocation between soft dollars and cash is not always capable of precise calculation, Verdis (or a Manager) will make a good faith effort to allocate such items reasonably.



In considering currency transactions and, when applicable, other direct investments, appropriate members of Verdis' team will meet periodically (as necessary based upon the type of security and/or frequency of trades) to review Verdis' best execution efforts, considering the quality of executions received and the costs of such executions (*e.g.*, spreads, mark-ups/mark-downs, commissions and commission equivalents), in order to determine what changes, if any, should be made in its brokerage arrangements.

## **ITEM 13: REVIEW OF ACCOUNTS**

### *Review of Accounts*

Verdis performs ongoing review and diligence of Managers and Vehicles included in an Account's portfolio. The composition of each Account is generally reviewed on a regular basis by senior members of Verdis' investment team and Verdis Investment Committee members. Accounts are reviewed periodically to ensure conformity with stated investment guidelines and objectives.

### *Reports*

Investors in Verdis' Funds are provided with standard reports for the strategy they invest in (see 'Investor Reports' below). Investors in Separate Accounts will be provided with reports for the strategy they invest in subject to Verdis' agreement with the Client. Verdis may rely on information provided by affiliates or third parties (including Managers or other service providers to Vehicles in which an Account invests) in preparing reports and an affiliate or third party may assist in preparing or distributing reports. To the extent reports include or rely upon information from a source other than Verdis (*e.g.*, index information when a report includes a comparison of a Fund's performance to one or more indices), Verdis attempts to obtain such information from reliable sources, however the accuracy of such information cannot be guaranteed. Although indices used are generally similar to Verdis' funds, types of investments, geography, sector, industry and other characteristics, including weightings may not track the index. Additionally, reports may include or rely upon fair value determinations made by a Manager, Verdis or a third party. While such valuations are made in good faith, their actual or empirical accuracy cannot be guaranteed.

### *Investor Reports*

Investors in each Fund receive periodic reports, communications and/or statements, as set forth in the relevant Private Fund's Governing Documents and PPM, or as otherwise agreed. Generally, Investors receive capital statements and reports quarterly; however, certain Investors may have negotiated the right to receive more frequent or detailed reports than others, and some strategies, such as VH and VOG provide monthly reports in lieu of quarterly reports, due to the nature of the asset class. Reports may include valuations of the Fund's assets, transaction summaries and the value of an Investor's interest in the Fund as well as unaudited financial information, which may include performance relative to an appropriate benchmark. For periods where valuation information has not been provided by underlying Managers (*i.e.*, intra-quarter), information for these reports is based on estimated valuations derived from the last Manager report and adjusted to account for contributions and distributions, pricing information provided by third-party services (where relevant) and subsequent valuation information from a Manager (See, "Valuation" in Item 1, above). To comply with the Custody Rule, audit reports will be provided to each Investor within 180 days after the end of the Fund's fiscal year (120 days in the event the Fund is not a "fund-of-funds").

**ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

Not applicable

### **ITEM 15: CUSTODY**

Because the Adviser (or an affiliate) serves as general partner or managing member of certain private funds, the Adviser is deemed to have “custody” over the private funds within the meaning of Rule 206(4)-2 under the Advisers Act. To comply with this Rule, the Adviser provides each Investor in the private fund audited financial statements within 180 days following the private fund’s fiscal year end. If an Investor has invested in the private funds and have not received audited financial statements timely, they should contact Verdis immediately. Verdis does not currently have custody of any separately managed accounts. However, in the future, Verdis may be deemed to have custody of the assets of a Separate Account in certain circumstances (other than those applicable to a Verdis Fund as described above). Verdis will comply with the applicable requirements in the Custody Rule with respect to such Separate Accounts, including conducting surprise audits and having the Account’s custodian provide certain reports directly to clients.

Additionally, the fund’s administrators, (third-party when applicable or Verdis Investment Management when applicable), sends regular (i.e. monthly or quarterly) account statements, indicating the amounts of any funds in an Investor’s Account as of the end of the statement period. Investors should review these statements carefully. Additionally, Investors should contact Verdis immediately if they do not receive account statements at least on a quarterly basis. As noted in Item 13, above, Verdis may provide Investors, separately, with reports or account statements providing information about the account. Investors should compare these carefully to the account statements they receive from administrator(s). If Investors should discover any discrepancy between the account statements, they should contact Verdis immediately.

## **ITEM 16: INVESTMENT DISCRETION**

### *Investment or Brokerage Discretion*

Through relevant IMAs and Governing Documents, Clients and/or Investors retain Verdis to select Vehicles and other assets for their Accounts, consistent with established investment objectives, guidelines and restrictions. Depending on those arrangements, Verdis may or may not have discretionary authority to make the following determinations on behalf of each Account (or to utilize a Vehicle to make such determinations):

- Which securities to buy or sell;
- The total amount of securities to buy or sell;
- The prices at which securities are to be bought or sold;
- The broker or dealer through which transactions are executed; and
- Where applicable, commission rates or other charges (*e.g.*, dealer spreads or mark-ups/mark-downs and other transaction costs) for such transactions.

Clients may limit Verdis' discretionary authority under certain circumstances and Verdis' ability to exercise discretionary authority is limited by the Client's investment objectives, guidelines and restrictions and relevant provisions of the IMA. Moreover, Verdis may, with respect to all or part of a Client relationship, provide non-discretionary investment advice or accept Accounts where investment discretion is limited by the Client through the imposition of investment restrictions. Verdis reserves the right to reject investment restrictions that it believes would be impracticable.

### *Investment and Brokerage Decisions and Review*

Under Verdis' fund-of-funds approach, each Client's investment objectives are principally fulfilled through the selection of Vehicles (*i.e.*, direct or indirect investment in a pooled product or separate account managed by a Manager). Each Vehicle's Manager generally will have investment and brokerage discretion over the assets committed to its management. While Verdis does not maintain day-to-day authority over a Manager's decisions, Verdis' Manager diligence, selection, retention and evaluation processes consider the Manager's overall effectiveness – including the Manager's prudent exercise of investment and brokerage discretion on behalf of Verdis Accounts and will raise issues or concerns with the Manager as part of the ongoing diligence and review process.

In selecting and dealing in Vehicles, Verdis seeks to negotiate, where practicable, the fees paid by Verdis Clients. As a general matter, Vehicles are selected through a private process for which only a single avenue for execution is available (*e.g.*, subscription to a pooled fund or execution of an advisory contract) rather than through the markets and no commission is typically paid by Verdis for the purchase or sale of a Vehicle. In those cases, Verdis may be limited in its ability to negotiate costs or terms but will seek, as practicable, to negotiate the most favorable terms reasonably available under the circumstances and to minimize costs associated with such transactions, consistent with achieving the desired investment objective and assuring an acceptable quality of

execution. Verdis may, from time to time, be introduced to a Vehicle through a prime broker, solicitor, consultant or placement agent.

In considering currency transactions and, when applicable, other direct investments, appropriate members of Verdis' team will meet periodically (as necessary based upon the type of security and/or frequency of trades) to review Verdis' best execution efforts, considering the quality of executions received and the costs of such executions (*e.g.*, spreads, mark-ups/mark-downs, commissions and commission equivalents), in order to determine what changes, if any, should be made in its brokerage arrangements. Managers of Vehicles are subject to, and required to conduct their trading activities in accordance with, the Manager's own best execution processes. Verdis considers the Manager's best execution practices as part of the initial due diligence and ongoing monitoring of the Manager. Verdis' goal in this process is to assure, to the extent practicable, that Verdis and each Manager exercises reasonable, good faith judgment to select broker-dealers or other trading venues that will consistently provide quality execution at an acceptable cost.

The following summarizes Verdis' policies with respect to its exercise of investment and brokerage discretion on behalf of Client Accounts and provides general insight into how Verdis expects that Managers of Vehicles exercise such discretion.

#### *Selection Criteria for Brokers and Dealers*

While Verdis may have authority to engage in direct management, currently it exercises such authority principally with respect to currency transactions (and less frequently to invest in ETFs or other securities) in connection with VOGÉ Accounts, while Vehicles may invest in a wide variety of securities. Different types of securities are traded in a variety of markets and are subject to a variety of considerations and conventions. Additionally, different Managers (and Verdis) may utilize a variety of investment or trading strategies having differing trading requirements. The type of security, market and strategy will affect the criteria Verdis or a Manager considers when determining how to effectuate transactions. For example, fixed income securities are often traded in dealer markets. When buying or selling securities in dealer markets, Verdis or a Manager may, subject to best execution, deal directly with market makers either on a commission basis or on a "net" basis, without paying the market maker any commission, commission equivalent or markup/markdown other than the "spread." Net trades mean that the market maker profits from the "spread," *i.e.*, the difference between the price paid (or received) by the Account and that received (or paid) by the market maker in trades with others.

To the extent Verdis has discretionary authority, it will generally place orders for the purchase or sale of securities with the primary objective of obtaining prompt execution of orders at the most favorable price and execution readily obtainable from responsible broker-dealers at competitive commission rates (or spreads) and expects that Managers will seek to do the same. Verdis insists on (and expects that Manager's will seek) a high standard of quality regarding execution services. However, Verdis recognizes that a broker-dealer may have different execution capabilities with respect to different types of securities and transactions and that some brokerage firms are better at executing some types of orders than others. Verdis or a Manager may also place value on brokers and

dealers who are able to provide useful brokerage and, as appropriate, research assistance. As a result, Verdis (or a Manager) may select brokers, dealers or other trading venues – and pay commissions or equivalents – that vary based on the nature of the transaction and services provided.

Verdis does not enter into agreements with, or make commitments to, any broker-dealer that would bind Verdis to compensate that broker-dealer, directly or indirectly, for Client referrals through placement of brokerage transactions. However, the fact that a broker or dealer has made such referrals does not disqualify the broker-dealer from executing trades on behalf of an account. Generally, Verdis or a Manager may exercise its discretion to execute transactions with broker-dealers that also refer clients: (i) when the use of such broker-dealer is consistent with the duty to seek best execution and following procedures reasonably designed to ensure that such referrals are not a factor in the decision to execute a trade, or a particular amount of trades, through such broker-dealer; or (ii) except with respect to accounts subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), when one or more broker-dealers is believed capable of providing equivalent quality of execution with respect to a particular portfolio transaction, in recognition of the broker-dealer’s past referral of the client for whom the transaction is being executed, or of other Clients, or in anticipation of possible future referrals from the broker-dealer. In either case, unless otherwise specifically disclosed, Verdis seeks to assure that a Client does not pay higher commissions, concessions or mark-ups/downs than would otherwise be obtainable from broker-dealers able to offer comparable levels of quality and research or execution services but that do not provide Client referrals.

#### *Commission Rates or Equivalents Policy*

Verdis recognizes that each Account bears the costs and reaps the benefits of brokerage decisions made with respect to the Account and, therefore, “brokerage” is treated as the property of the Client. Verdis believes that the overriding consideration in allocating Client orders for execution should be to seek to execute transactions efficiently to maximize gains (or minimize losses) through a combination of controlling transaction and securities costs and seeking more effective uses of a broker’s capabilities.

It should be noted that Accounts will not necessarily pay the lowest commission or commission equivalent for any particular transaction. Transactions involving specialized services on the part of a broker-dealer often require the payment of higher commissions (or commission equivalents) than would be the case with transactions requiring more routine services. While the extent to which commission rates or net prices reflect the value of a broker-dealer’s services and capabilities often cannot be readily determined with specificity, Verdis believes that commission rates are reasonable when commensurate with the value Verdis or a Manager places on the broker’s ability to provide professional services, competitive commission rates, research, and other services which will assist Verdis or the relevant Manager in providing services to Client Accounts or, as applicable, Vehicles (based either on the particular transaction or the course of dealings with the broker over time). Transactions may, therefore, be executed through broker-dealers who provide useful research and securities transaction services even

though a lower commission might be charged by a broker-dealer who offers no research services and minimal securities transaction assistance.

#### *Block Transaction Policy*

Because the sizes, mandates and guidelines of Client Accounts often differ, the securities held in such Accounts may not be identical, even when managed in the same strategy. In appropriate circumstances, an Account may purchase or sell a security (including an interest in a Vehicle) prior to other Accounts. This could occur, for example, as a result of the specific investment objectives or restrictions applicable to the Account, different cash resources arising from contributions or withdrawals, or the purchase of a small position to assess the overall investment desirability of a security or Vehicle. However, Accounts that are managed in similar styles often have similar or identical portfolio compositions and weightings, and may seek to purchase or sell securities contemporaneously. Under applicable law, advisers may, but are not required to, aggregate contemporaneous orders for the purchase or sale of a particular security into a single combined order (a “*Block Transaction*”). Where available, Block Transactions may allow an adviser to negotiate more favorable prices, obtain more timely or equitable executions or reduce overall commission charges. The following summarizes Verdis’ policies with respect to Block Transactions and provides general considerations with respect to a Manager’s potential use of Block Transactions:

A Manager or Verdis (to the extent consistent with the IMA or Governing Documents applicable to each participating Account or Vehicle) may engage in Block Transactions. Verdis seeks to allocate investment and trading opportunities in a manner that is consistent with its duty to: (i) seek best execution; (ii) treat all Accounts fairly and equitably over time; and (iii) not systematically advantage or disadvantage any single Client or group of Clients. When a decision is made to enter into a Block Transaction, the results of the transactions will be allocated to all participating Accounts in a fair and equitable manner. Verdis expects that Managers who use Block Transactions will follow similar policies and procedures.

When a Block Transaction results in all component orders being filled in their entirety on a single business day, each participating Account will participate at the average price paid or received, per share or unit, on that day for the Block Transaction (and will pay associated transaction costs based on that Account’s level of participation in the Block Transaction), subject to certain size or cost-related exceptions. When a Block Transaction cannot be filled in its entirety on a single business day (a “*partial fill*”), Verdis will allocate the portion of the Block Transaction actually filled on that business day pro rata among the participating Accounts based on the size of each Account’s original request, subject to any necessary adjustments in order to achieve “round lots” or to avoid inconvenient or *minimal* allocations. However, Verdis or a Manager may allocate on a basis other than *pro rata* if, under the circumstances, Verdis or that Manager believes that such other method of allocation is reasonable, does not result in improper or undisclosed advantage or disadvantage to other Accounts, and results in fair access over time to investment and trading opportunities for all eligible Accounts.



Except when inconsistent with relevant Codes of Ethics, other applicable policies and procedures or the duty to seek best execution, Verdis or a Manager may include proprietary or personal accounts in a Block Transaction.

#### *Cross-Trades*

Verdis or a Manager may, but shall not be obligated to, cause one Account to purchase or sell securities from or to, as the case may be, another Account in a “cross-trade” consistent with relevant cross-trading policies and procedures and applicable law. In certain circumstances, cross-trades may reduce execution related costs for participating Accounts. Participating Accounts must be treated fairly and an appropriate price must be assigned to the crossed security. ERISA Accounts may be limited in their ability to engage in cross-trades.

Verdis does not currently engage in any agency cross trades. To the extent a Manager engages in agency-cross trades (*i.e.*, a cross trade in which the Manager or an affiliate receives transaction-based compensation such as a commission), appropriate notice must be provided to Verdis (or the Client, as applicable) and consent obtained consistent with applicable law.

A form of cross trade may also be used when deemed necessary by Verdis to allow an Account to take advantage of certain attractive investment opportunities. In these circumstances, Verdis may cause one Account to acquire and hold a limited number of investments, with the intent that such investments be transferred to another Account following a short-term holding period through a cross trade. This practice is sometimes described as “warehousing”. Because it is intended that the target Account ultimately bear the risk of such investments and the warehouse Account be fairly compensated for expending the initial capital necessary to make that investment, such investments will generally be transferred from the warehouse Account to the target Account at the price originally paid (including any expenses associated with the investment) plus interest at a pre-determined rate. Managers may also use warehousing with respect to certain Vehicles.

#### *Allocation of “New Issues”*

Currently, Verdis does not typically invest Accounts in “new issues”, as defined in relevant rules established by the Financial Industry Regulatory Authority (“FINRA”) (formerly the National Association of Securities Dealers or “NASD”). However, Vehicles may, from time to time invest in initial public offerings (“IPOs”) or other new issues. Under FINRA Rule 5130 (formerly, NASD Rule 2790) and FINRA Rule 5131, broker-dealers, their affiliates and certain other persons (“restricted persons” or “covered persons,” respectively) may be restricted in their ability to participate in “new issues.” Only Client Accounts that are eligible under FINRA Rule 5130 and FINRA Rule 5131 to participate in profits and losses attributable to “new issues” (“Eligible Accounts”) will be permitted to receive allocations of “new issues”.

Private funds may need to take additional measures to ensure compliance with FINRA Rule 5130 and FINRA Rule 5131 which may include, for example, prohibiting or limiting investment by restricted or covered persons or by creating multiple class

structures pursuant to which a certain class (or classes) of shares may be issued only to restricted or covered persons while other classes of shares will exclude restricted and covered persons. Consequently, in order to allow Verdis (or a Manager) to invest in new issues, Clients (or Investors) must provide information regarding their restricted and covered person status and Verdis Funds that anticipate investing in Vehicles that may hold new issues have established separate share classes for this purpose.

### **Services Provided by Custodians to Verdis Funds or Private Fund Vehicles**

Although Verdis does not currently employ prime brokers for the Verdis Funds (as prime broker services are generally less relevant to fund-of-funds offerings), Verdis may select one or more firms to serve as custodian (“Custodian”) to hold the funds and securities of a Verdis Fund (and, similarly, Managers will often select Custodians for Vehicles). In the case of underlying Vehicles, the Manager’s chosen Custodian may also serve as the prime broker and may execute transactions on behalf of the Vehicle, consistent with best execution. In addition to custody and execution, a prime broker may provide other core functions (such as reporting, clearing, financing, securities lending, and Client service) as well as value added items (such as capital introductions, advanced research and analytics and technology services) to such Vehicles, some of which may be outside the Soft Dollar Safe Harbor, described above. These services may allow a Vehicle to operate more effectively and efficiently by, for example, providing the Manager with electronic access to information and trade confirmations, bulk mailing of statements to investors and access to specialized customer service personnel. Prime brokers often provide such services in order to benefit from an increase in the size of a Vehicle (which, in turn, would likely result in additional compensation to the prime broker). Verdis expects that many Managers will consider these factors in selecting prime brokers and/or Custodians.

Verdis reserves the right, in its sole discretion, to change the brokerage arrangements described herein without further notice to Investors in any Verdis Fund. However, Verdis will, to the extent required by the Custody Rule, provide appropriate notice upon opening an account and upon changes to the custodial arrangements.

### **ITEM 17: VOTING CLIENT SECURITIES**

As a manager-of-managers, Verdis typically does not have discretion to vote proxies solicited by issuers held indirectly through a Vehicle (as a general matter, Managers have authority to vote proxies with respect to securities held by or in a Vehicle). In the unusual circumstance where a proxy (or consent) were to be solicited by a Vehicle, Verdis abstains from voting, unless Verdis believes there is a conflict between Verdis' interests and those of the Investors, in which case it would take other appropriate steps to address the conflict.

Should an Investor have additional questions, they may contact Kevin Gaffey, Verdis' Partner & Chief Financial Officer(who also serves as Chief Compliance Officer) at [kgaffey@verdisinvestment.com](mailto:kgaffey@verdisinvestment.com) or 610-397-1600.

**ITEM 18: FINANCIAL INFORMATION**

Not applicable.