

1. Cover Page

Stamos Capital Partners, L.P.

Form ADV Part 2A ***Firm Brochure***

March 31, 2019

This Brochure provides information about the qualifications and business practices of Stamos Capital Partners, L.P. If you have any questions about the contents of this Brochure, please contact us at (650) 233-5000 or info@stamoscapital.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about Stamos Capital Partners, L.P. is also available on the SEC's website at www.adviserinfo.sec.gov.

Stamos Capital Partners, L.P. is registered with the SEC. Such registration does not imply a certain level of skill or training.



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2. Material Changes

This Brochure provides updates to the last annual update filed, dated March 30, 2018. In addition to updating facts and figures relating to Stamos Capital Partners, L.P. (the “Firm”) and clarifying certain language, the following summarizes material changes made within this update to the Brochure:

- Item 5: Updated language provides detail relating to refund of prepaid management fees in the event an investment advisory agreement is terminated before the end of the billing period.
- Item 8: Certain information in Item 8 has been updated, including under the subtitles “Risk Management” and “Diversification and Concentration.”
- Item 10: Additional detail was added describing the basis for the Firm’s exemptions from registration as a Commodity Trading Adviser and a Commodity Pool Operator.
- Item 11: Additional information was added relating to investments in securities recommended to clients, certain conflicts of interest, and methods to mitigate these conflicts.
- Item 12: Details relating to the Firm’s trade errors policies have been updated.
- Item 13: Information relating to the review of accounts has been updated, including the frequency and nature of the review.

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4. Advisory Business

A. INTRODUCTION

Stamos Capital Partners, L.P. (“Stamos Capital” or the “Firm”) is an independent, privately owned investment advisory firm that invests using an endowment-model investment approach. The Firm’s predecessor began providing advisory services in June 2002, initially acting as the family office of Mr. Peter S. Stamos, the Firm’s founder, and a select group of other families. Today, the Firm provides advisory services to private investment funds managed by Stamos Capital (the “SCP Funds”) and to high-net-worth individuals, family offices, foundations, endowments, trusts, and other clients (the “Other Clients” and together with the SCP Funds, the “Clients”). The Firm also provides certain other Non-Advisory Services to equity owners of the Firm.

As of December 31, 2018, Stamos Capital managed more than \$3.3 billion in assets, including approximately \$1.2 billion on a discretionary basis and \$2.1 billion on a non-discretionary basis. These figures are based on unaudited financial data and is subject to change.

Stamos Capital is substantially owned by persons who are the Firm’s Partners or employees, members of the Stamos family, and Mr. Ronald B. Johnson. Messrs. Stamos and Johnson each own greater than 25% of the Firm.

B. ADVISORY SERVICES

Overview

Stamos Capital provides advisory services to Clients, which include SCP Funds. In addition to providing discretionary and non-discretionary investment advisory services, Stamos Capital reviews the total asset allocation and wealth portfolios of high-net-worth individuals and their families and makes allocation recommendations to them based upon the Firm’s macroeconomic outlook, portfolio diversification considerations, and the Client’s stated investment objectives. The Firm refers to these additional services as “wealth management services.”

Endowment-Style Investing

Stamos Capital’s investment approach is based upon the endowment style of investing similar to that adopted by select university endowments. The endowment style of investing seeks to generate higher risk-adjusted returns, with lower volatility, by expanding the number of asset classes and strategies used to create a portfolio. This broad-based, flexible investment mandate is typically not limited by geography, sector, industry, or other investment criteria, or by trading strategy, such as leverage. As the Firm’s endowment style of investing is based upon allocations to multiple asset classes, the investment programs of Clients advised by Stamos Capital may include, but are not limited to, allocations to a broad range of asset classes such as fixed income, absolute return, public equity, private equity, and real assets, subject to the specific investment objectives and investment restrictions of the Client.

C. TAILORED ADVISORY SERVICES, INVESTMENT RESTRICTIONS, AND NON-ADVISORY SERVICES

Stamos Capital tailors its advisory (including sub-advisory) services to the investment objectives of its Clients. The Firm also provides certain other Non-Advisory Services.

Tailored Advisory Services: SCP Funds

The investment strategies, including investment restrictions and limitations, for each of the SCP Funds are set forth in their respective governing and organizational documents (the “Governing Documents”). While the SCP Funds may have similar and overlapping investment strategies and investment parameters, Stamos Capital provides its advisory services to each SCP Fund based upon that SCP Fund’s investment objectives.

The SCP Funds invest in private investment funds or through managed accounts (collectively, “Underlying Portfolio Funds”) managed by fund managers (“Underlying Managers”) selected by Stamos Capital. Certain SCP Funds also invest their assets directly in public or private equity, venture capital, real assets, mutual funds, exchange-traded funds (“ETFs”), debt, or other securities, including through secondary transactions. Advisory services provided to the SCP Funds include identifying and negotiating investment opportunities, making investments, and directing the management, monitoring, and disposition of investments, in each case in accordance with the Governing Documents of the relevant SCP Fund.

The Governing Documents of an SCP Fund, including the discussion of risk factors and conflicts of interest provided therein, should be carefully reviewed prior to making any investment in an SCP Fund. Prospective investors in any SCP Fund should be aware that they do not have the authority to direct the investments made by the SCP Fund in which they invest. Stamos Capital or an affiliate may enter into agreements with certain investors to provide for specific investment terms that are more favorable than those provided to other investors (“Side Letters”).

Tailored Advisory Services: Other Clients

Stamos Capital also provides discretionary and non-discretionary advisory services to Other Clients. Similar to the advisory services provided to the SCP Funds, advisory services provided to Other Clients generally utilize an endowment-style investment approach, taking into account the individual investment needs of the Other Client, including their investment objectives and their investment restrictions and limitations. The Firm arranges or effectuates securities transactions for Other Clients whose portfolios, or portions of whose portfolios, are discretionary accounts.

Stamos Capital typically conducts an initial review and analysis of an Other Client’s existing investment portfolio, if any, and recommends an allocation of assets, including but not limited to the SCP Funds, as well as to public and private securities. Asset-allocation and risk-management recommendations consider the Other Client’s risk tolerance, liquidity requirements, investment objectives and limitations through the lens of the Firm’s overall macroeconomic outlook.

Stamos Capital provides ongoing asset allocation analysis to certain Other Clients, taking into consideration, if requested by the Other Client, the Other Client’s assets held outside of Stamos Capital’s investment vehicles. For purposes of portfolio diversification, among other asset

allocation recommendations, the Firm will recommend certain SCP Funds or Underlying Portfolio Funds for investment by the Other Client. Please see “Fees and Compensation” below for a discussion of the advisory fees and compensation Stamos Capital receives from SCP Funds.

Non-Advisory Services

Stamos Capital provides certain Non-Advisory Services, including household financial services and bill payment. These services are referred to as “family office services.” Currently, the Firm provides family office services only to the Firm’s equity owners. The Firm may continue to enhance such services and may begin to offer these services to Other Clients in the future. These services, if extended to Other Clients, will be offered in conjunction with the advisory services received by the Other Clients, but will be negotiated under a separate agreement that outlines the specific Non-Advisory Services to be received.

D. WRAP FEE PROGRAMS

This Item is not applicable to Stamos Capital.

E. ASSETS UNDER MANAGEMENT

As of December 31, 2018, Stamos Capital’s “Regulatory Assets Under Management,” as listed in Form ADV Part 1A, Item 5, was \$3,386,827,304, including \$1,213,331,599 managed on a discretionary basis and \$2,173,495,705 managed on a non-discretionary basis. Such figures are based in part on unaudited financial data and are subject to change. Valuation for certain Underlying Portfolio Funds was calculated as of September 30, 2018, the last date final (but unaudited) numbers were provided by the respective Underlying Managers. Due to the prescribed methodology for calculating Regulatory Assets Under Management, where a Client has invested in multiple SCP Funds, such assets are counted more than once.

5. Fees and Compensation

A. FEES AND COMPENSATION

SCP Funds

The Governing Documents or investment advisory agreement of each SCP Fund set forth the manner in which Stamos Capital is compensated for its advisory services.

Management fees are generally non-negotiable, although Stamos Capital has the discretion to waive, alter or reduce any fees or allocations owed by an investor for its advisory services. As a general matter, substantially all of the investors in the SCP Funds are “qualified purchasers” under the Investment Company Act of 1940, as amended (the “1940 Act”), and satisfy the criteria set forth in Section 205(a) relating to performance compensation paid to investment advisers. Any performance fee or allocation paid to the Firm will be in accordance with Section 205(a) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Investors that invest in

an SCP Fund that, in turn, invests in another SCP Fund are charged a management fee and a performance fee by one SCP Fund only.

Stamos Capital generally charges investors a management fee computed at an annual rate of up to 1% of assets under management, paid at the beginning of each quarter, as described in the Governing Documents or investment advisory agreement of each SCP Fund.

Performance fees, where applicable, generally range from 5% to 20%, but may be 30% or more, of net profits, as described in the relevant Governing Documents or investment advisory agreement of each SCP Fund. Generally, if earned, the Firm or an affiliate of the Firm collects performance-based fees, or is allocated a performance-based allocation, at the end of each fiscal year.

Investors in an SCP Fund bear their respective pro rata portion of management fees and performance fees payable by the SCP Fund to Stamos Capital and its affiliates. Investors also bear the management fees and performance fees charged by the Underlying Portfolio Funds in which the SCP Fund invests.

Different performance compensation arrangements may create an incentive for Stamos Capital to direct the best investment ideas to, or to allocate or sequence trades in favor of, (i) Client accounts with performance compensation arrangements over accounts that are not charged, or from which the Firm will not receive performance compensation (e.g., because the account is below its high water mark), and (ii) Client accounts from which the Firm will receive a greater performance compensation over Client accounts from which the Firm will receive lesser performance compensation.

Other Clients

Stamos Capital separately negotiates the terms, including management and performance fees, for advisory services provided to Other Clients, and describes such terms in the Other Client's governing investment advisory agreement. The Firm will reduce any such fees payable by Other Clients to offset management fees they are subject to due to their investment in an SCP Fund.

Stamos Capital generally does not charge additional fees to review an Other Client's overall asset allocation, including assets and other securities held by third-party investment advisers.

B. PAYMENT OF FEES

SCP Funds

The SCP Funds generally deduct management fees from an investor's capital account quarterly in advance, and at fiscal year-end for any applicable performance fees. The SCP Fund investors who choose to withdraw at a point in time that does not coincide with an ordinary billing period, such as quarter-end or year-end, will be allocated their share of any applicable fees, including performance fees, associated with the time period during which they were invested.

Other Clients

Other Clients receive invoices in accordance with the billing periods defined in their respective investment advisory agreement.

C. ADDITIONAL FEES AND EXPENSES

Each SCP Fund bears expenses related to its operations, including without limitation, investment-related expenses, such as management and administrative fees charged by the Underlying Portfolio Funds, performance-based fees paid to the Underlying Managers, expenses related to the purchase and sale of illiquid securities, brokerage commissions, research expenses, interest on margin accounts and other indebtedness, bank service fees, professional fees (including, without limitation, expenses of consultants and experts), and investment-related travel expenses; legal, accounting (including the cost of accounting software packages), audit, and tax preparation expenses; administration expenses (including fees and expenses of the SCP Fund's administrator); expenses incurred by the Firm related to the provision of administrative services (including compensation of personnel and employee benefits); organizational expenses; expenses incurred in connection with the offer and sale of interests in the SCP Fund and other similar expenses related to the SCP Fund; insurance; and extraordinary expenses.

For an SCP Fund in liquidation, Stamos Capital does not charge an investment management fee; however, the Firm does charge an administration fee to such an SCP Fund equal to 0.5% of that SCP Fund's net asset value. Investors in an SCP Fund in liquidation bear their pro rata portion of that Fund's administration fee.

Each Other Client may be subject to some or all expenses and fees detailed above, including brokerage commissions, subject to the terms of the Other Client's investment advisory agreement.

See Item 12 for an additional discussion of the Firm's brokerage practices.

D. PREPAYMENT OF FEES

Management fees are paid in advance by the SCP Funds to Stamos Capital on a quarterly basis. Investors who choose to withdraw from the SCP Funds at a point in time that does not coincide with a quarter-end will be allocated their share of any applicable fees, including performance fees associated with the given time period. Specifically, in the case of a withdrawal by an investor in an SCP Fund other than as of the last day of a fiscal quarter, Stamos Capital will return a pro rata portion of the management fee (based upon the actual number of days remaining in such partial fiscal quarter) to the SCP Fund for distribution to such withdrawing investor.

With respect to Other Clients, investors receive invoices in accordance with the billing periods defined in the governing investment advisory agreement. Management fees are calculated through the termination date of the relevant investment advisory agreement, and any prepaid and unearned management fees will be refunded on a pro rata basis to the applicable Other Client.

E. COMPENSATION FOR THE SALE OF SECURITIES OR OTHER INVESTMENT PRODUCTS

This Item is not applicable to Stamos Capital.

6. Performance-Based Fees and Side-By-Side Management

Some Client fees are based partly upon the performance of investments, including investments in certain SCP Funds.

Stamos Capital may advise or manage Client accounts or SCP Funds that pay an asset-based fee side by side with Clients that pay performance-based fees. Performance-based fees provide the Firm the opportunity to receive more, or less, compensation than fees based upon assets under management. Performance-based fees may create an incentive for the Firm to recommend risky or speculative investments, or an incentive to favor accounts with such fee payment arrangements over other accounts in the allocation of investment opportunities. The Firm seeks to mitigate these potential conflicts, including as described generally below.

Stamos Capital attempts to manage potential or actual conflicts in a manner that is generally fair to all its Clients. The Firm recommends an investment to a Client only if the Firm believes the recommendation is appropriate for the Client and is in the Client's best interest. An investment may not be appropriate for all Client accounts, and recommendations are made independent of the consideration of fees payable by an account.

7. Types of Clients

Stamos Capital's Clients consist of the SCP Funds and primarily high-net-worth individuals and families, their investment vehicles (including retirement accounts), and foundations, endowments, and trusts. In addition, the Firm's Clients may include government and private pension plans and other institutional investors. In certain limited circumstances Stamos Capital provides sub-advisory services to other investment advisers.

The minimum initial SCP Fund subscription is ordinarily between \$1 million to \$5 million; however, such minimums vary by SCP Fund, and the SCP Funds may accept smaller subscription amounts, subject to applicable law.

There is no designated minimum account size for Other Clients.

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

The following is a summary of the methods of analysis and investment strategies used by Stamos Capital in providing its advisory services, as well as a description of some of the significant risks that may be involved in the Firm's investment approach. Investing in securities, by its nature,

involves risk of loss that Clients and investors should be prepared to bear. Investors and prospective investors should carefully review this Form ADV brochure, as well as the risk factors and conflicts of interest identified in the Governing Documents of the SCP Funds in which they have invested or may invest.

A. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

Investment Philosophy

Stamos Capital believes that some of the most sophisticated institutional investors have been a select group of university endowments investing across a broad range of traditional and alternative asset classes. The Firm seeks to invest using a similar endowment-style investment approach. The Firm's investment approach favors a broad-based, flexible investment mandate with asset allocation across multiple asset classes, including but not limited to fixed income, absolute return, public equity, private equity, and real assets. An SCP Fund may have an investment focus in a particular asset class or investment strategy.

Methods of Analysis

Stamos Capital's investment decisions are based upon many factors, including: macroeconomic views, asset allocation, investment access, risk management, and long-term investment horizons.

Macroeconomic View. In determining asset allocation, Stamos Capital begins with a top-down macroeconomic view of current and projected monetary, fiscal, and economic conditions, both global and domestic. The Firm seeks to use its knowledge across various economic and investment sectors to create an investment plan that balances allocations and strategies according to perceived investment potential and investment risk.

Asset Allocation. Stamos Capital's macroeconomic view drives the Firm's target asset allocation across three major investment categories: Capital Preservation, Capital Appreciation, and Capital Stability.

Through allocations to Capital Preservation assets, Stamos Capital seeks to preserve capital by reducing volatility and hedging against deflation. Assets held within Capital Preservation seek to provide consistent risk-adjusted returns relatively independent of market movement. These assets may be a source of liquidity for funding new investment opportunities. Capital Preservation may include allocations to **cash**, **fixed income** and **absolute return**.

Through allocations to Capital Appreciation assets, Stamos Capital generally seeks to provide higher returns (albeit with potentially higher risk) than those within Capital Preservation. Allocations to publicly-traded and privately-held securities are made using a variety of trading strategies, which may include hedging strategies. The Capital Appreciation investment category may include allocations to **public equity** (long-biased or long/short strategies) and **private equity** (including through private venture capital, growth equity, buyout, distressed, secondary, and co-investment private and direct investments).

Finally, through allocations to Capital Stability, Stamos Capital seeks to diversify the endowment-style portfolio through investments in alternative assets that the Firm expects will have a

relatively lower correlation to the investment returns of traditional asset classes. This approach seeks to mitigate risk and mark-to-market volatility in the broader endowment-style portfolio. The Capital Stability investment category includes both liquid and illiquid allocations to **real assets** (including real estate, natural resources, agriculture, minerals, infrastructure, and operating assets).

Actual allocations across the investment categories are adjusted as necessary by Stamos Capital to reflect changes to its macroeconomic outlook based upon shifting fiscal, economic, and monetary circumstances. Changes in allocation, or tactical tilts, are undertaken strategically to help achieve and maintain balance in aligning the Firm's macroeconomic view with current market conditions.

The Firm believes that a portfolio balanced among the traditional and alternative asset classes and investment strategies described above may enhance an investor's ability to withstand changing economic and market conditions.

Investment Access. Stamos Capital seeks access to attractive deal flow and identified high-quality managers. Sought-after private fund managers may be closed to new capital or have high investment minimums that are unappealing to high-net-worth individuals and family offices seeking to invest on a diversified basis. Due to Stamos Capital's years of experience within the investment management industry, both as fund investors and as direct principal investors, the Firm has developed a network of relationships with private fund managers, including in Silicon Valley, where the Firm is based. As a result, Clients may have allocation opportunities not generally available to other investors, or to investors seeking to invest independently. The Firm's access to private fund managers may provide additional and attractive investment opportunities for Clients.

Risk Management. Stamos Capital seeks to manage investment risk through diversification, cash utilization, manager and company due diligence, and ongoing monitoring and rebalancing. Diversification is an important tool to help mitigate risk within an investment portfolio. The Firm's long-term asset allocation seeks to maintain disciplined exposure to multiple asset classes, with variance across sectors (public and private), industries, and geographies. At times, the Firm will engage in tactical tilts based upon the Firm's macroeconomic outlook, over- or under-weighting specific asset classes in relation to the long-term target allocation. The goal of these tactical tilts is to help mitigate risk and enhance returns.

Stamos Capital also engages in bottom-up analysis of managers and public and private companies, considering criteria such as historical performance, sector and industry performance, and manager risk management. This process seeks to identify the merits and risks of potential investments. Investment fund due diligence examines, investment terms; performance; liquidity constraints; fees and, as appropriate, intangible criteria related to Underlying Portfolio Funds, Underlying Managers, and their personnel, as applicable. The evaluation of direct investments may include examination of company financial reports; analysis of a company's ability to generate cash flow; assessment of company management; and a review of research reports on the company, among other factors, sometimes in the context of macroeconomic correlation. In addition, the Firm may take into account the mission, vision, and values of the company.

Stamos Capital monitors performance reports provided by Underlying Managers of the SCP Funds, and the Firm communicates with Underlying Managers as it deems necessary to discuss fund performance and market outlook. Key findings from performance reports and Underlying Manager discussions, as well as the Firm's macroeconomic outlook, inform the Firm's decisions regarding whether to maintain, increase or withdraw allocations to Underlying Portfolio Funds. For direct investments, the Firm considers, among other factors, performance, risk, financial reports, and other research related to its direct investments in order to make tactical decisions regarding rebalancing these securities.

Stamos Capital monitors and rebalances Client portfolios as it deems necessary.

Long-Term Investment Horizon. As a general matter, Stamos Capital invests with a long-term investment horizon in mind, seeking a diversified asset mix that the Firm expects will weather periods of market volatility over time. A long-term investment horizon also allows for investments in less liquid asset classes, such as private equity.

B. MATERIAL, SIGNIFICANT, OR UNUSUAL RISKS RELATING TO INVESTMENT STRATEGIES

The following sections discuss the key risks associated with Stamos Capital's investment strategies, methods of analysis, and securities types. Additional and more detailed information can be found in the Governing Documents for each SCP Fund, or in the Client's investment advisory agreement.

There can be no assurance that a Client account or an SCP Fund will perform well or achieve its investment objectives. Similarly, there can be no assurance that an Underlying Portfolio Fund or direct investments will perform well. The timing of profit realization, if any, is highly uncertain. For any given investment, the possibility of a partial or total loss of capital exists, and prospective Clients and investors should not invest unless they can readily bear the consequences of such loss.

1. Investment Strategy Risk

Endowment-Style Investing

In general, the Firm utilizes an endowment style of investing, which includes allocating investments to an expanded number of asset classes and strategies, including alternative strategies and investments, such as hedge, private equity, natural resources, and real estate funds, in addition to traditional stocks and bonds. The endowment style of investing, including alternative strategies, is designed to provide a broad spectrum of return-enhancing and/or risk-reducing strategies, although it can also produce certain risks, including an increased cost of investing or portfolio management, over-diversification resulting in overall reduced returns, unforeseen and complex tax considerations, increased volatility that fails to capture related returns, increased illiquidity, and the permanent loss of capital due to bankruptcy or restructuring in private placements. Because asset allocations are based in large part upon historically non-correlated performance of various asset classes, if those asset classes in fact perform in an unexpectedly correlated manner, then volatility may increase, and returns may decrease. If this occurs on a large scale, then the maximum risk of loss associated with the

volatility, known as the “maximum drawdown” or the maximum decline in value from peak-to-trough, may make it difficult or impossible to recover losses even during a long-term investment horizon. There is no assurance that the endowment style of investing will perform as designed.

Past Performance Results

Past performance is not indicative of future results. Similarly, historical performance is not a guarantee or prediction of future performance.

Reliance on Key Personnel

While Stamos Capital has depth and experience in investing, the loss of one or more of the Firm’s senior personnel could adversely impact the Firm’s and the SCP Funds’ ability to successfully implement investment strategies.

Legal, Tax, and Regulatory Risk

There has been an increase in scrutiny of the private investment fund industry by governmental agencies and self-regulatory organizations. New laws and regulations or actions taken by regulators that restrict the activities of private funds could have a material adverse impact on the Firm’s ability to execute its investment program. Legal reforms, such as the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), have resulted in extensive rulemaking and regulatory changes that affect private fund managers, the funds that they manage, and the financial industry as a whole. Under the Dodd-Frank Act, the Commodity Futures Trading Commission (“CFTC”) and the SEC have mandated (and will mandate) new recordkeeping, reporting, central clearing and mandatory trading on electronic facilities requirements for investment advisers, which add costs to the legal, operational, and compliance obligations of Stamos Capital, the SCP Funds, the Underlying Managers, and the Underlying Portfolio Funds.

Information Systems, Cybersecurity, and Operational Risks

Stamos Capital and the Underlying Managers rely upon information systems to store sensitive information related to the Firm, investments, Clients, and affiliates. Stamos Capital and Underlying Managers depend upon multiple financial, trading, accounting, and other data processing systems to monitor portfolios and capital and to generate trade and financial management and other reports that are critical to the implementation of investment strategies and to the oversight of investment activities. The Firm processes, stores, and transmits large amounts of electronic information, including personally identifiable information of Clients and investors. Certain activities are dependent upon systems operated by third parties, including the fund administrator, market counterparties, and other service providers, and neither the Firm nor the Underlying Managers may be in a position to verify the risks or reliability of such third-party systems. The techniques used to obtain unauthorized access to data, to disable or degrade service, or to sabotage systems change frequently and may be difficult to detect for long periods of time. If the Firm, its service providers, or Underlying Managers fail to adopt or adhere to adequate data security policies, or in the event of a breach of their respective networks, information relating to transactions or personally identifiable information may be lost or improperly accessed, used or

disclosed. Breach of information systems could cause Clients to suffer, among other things, financial loss, the disruption of their respective business, liability to third parties, regulatory intervention or reputational damage.

Assumption of Business, Terrorism, and Catastrophe Risks

Stamos Capital and its related investments are subject to the risk of loss arising from exposure that may be incurred due to the occurrence of various events, including, without limitation, hurricanes, earthquakes, other natural disasters, terrorism, and other catastrophic events. These risks of loss can be substantial and each could have a material adverse effect on any Client account, including the SCP Funds.

Other Client Allocations

Assets placed in a managed account, rather than invested in funds or other private investment vehicles, present a theoretically unlimited liability, and it is possible that, given the leverage certain Underlying Managers employ, a Client could lose more in a managed account directed by a particular Underlying Manager than if the assets had been placed in an Underlying Portfolio Fund.

Termination of Interest in an Underlying Portfolio Fund

An Underlying Portfolio Fund may terminate a Client's direct or indirect interest if the general partner or Underlying Manager determines that the continued direct or indirect participation of such Client would have a material adverse effect on the Underlying Portfolio Fund or its assets. In particular, if a Client fails to meet its obligation to contribute any portion of its capital commitment to a portfolio investment when that portion is called, such failure could directly or indirectly expose the Client to the default provisions. As a result, the Client may be required to forfeit all or a portion of its investment in the Underlying Portfolio Fund and may be subject to other penalties. Investment and Trading Risks in General

All investments in securities and other financial instruments risk the loss of invested capital. Investment techniques such as margin transactions, short sales, option transactions, forward and futures contracts, investing in derivative instruments, and concentrating portfolios in the securities of particular companies, industries or countries, can magnify the adverse impact of market movements.

Valuations

Securities that do not have readily ascertainable market prices are fair valued by the Firm, and in the case of the SCP Funds, such securities are fair valued by the relevant Underlying Manager, which valuation is deemed conclusive with respect to the SCP Funds. Fair valuation may involve a conflict of interest because the compensation for the firm responsible for valuing the security (including Stamos Capital) is also based upon such valuation. To the extent the values of the assets are determined inaccurately, Clients and investors may suffer. For example, if an investor contributes additional capital, such investor may be adversely affected if the value of the portfolio assets is overstated and the other pre-existing investors would be adversely affected if the value of the portfolio assets is understated. Similarly, an investor that is withdrawing capital is

adversely affected if the value of the portfolio assets is understated, and the other non-withdrawing investors would be adversely affected if the value of the portfolio assets is overstated.

Control Position

A Client may obtain a controlling or other substantial position in a public or private company. Such positions may or may not be obtained intentionally as the rights of the various classes of a company's securities may be affected by reorganization, bankruptcy restructuring or liquidation, which could result in holders of debt securities owning a controlling or substantial equity position in a company. Such an entity may be required to make filings concerning its holdings with the SEC, and it may become subject to other regulatory restrictions that could limit the disposition of the holdings.

Portfolio Turnover

The portfolio turnover rates of certain Client accounts and portfolios managed by Stamos Capital or by Underlying Managers may exceed 100% per annum, which would result in increased transaction costs, especially for those accounts and portfolios with significant holdings in public equity securities.

Suspensions of Trading

Each exchange typically has the right to suspend or limit trading in all securities that it lists. Such a suspension could render it impossible to liquidate positions and create a potential for losses.

Possible Adverse Effects of Substantial Withdrawals of Capital

In the event that there are substantial withdrawals of capital from an SCP Fund or Underlying Portfolio Fund within a limited period of time, such fund may find it difficult to adjust its asset allocations and trading strategies due to the suddenly reduced amount of assets under management. In order to pay withdrawals, such fund may be required to liquidate positions at an inappropriate time or on unfavorable terms, and it may be more difficult to generate additional profits operating on a smaller asset base.

Illiquidity of Investments; Unregulated Transactions

Certain SCP Funds and Underlying Portfolio Funds invest in companies, the securities of which are not publicly traded. These investments may be difficult to value and to sell, or otherwise liquidate, and the risk of investing in such companies is generally much greater than the risk of investing in publicly-traded companies. Companies whose securities are not publicly traded are not subject to the same disclosure and reporting requirements that are generally applicable to companies with publicly-traded securities, nor is the trading of such non-publicly-traded securities regulated by any government agency. Accordingly, the protections accorded by such regulation are not available in making such investments.

In addition, there can be no assurance that private companies in which a Client or the Underlying Portfolio Funds invest eventually will list its securities on a securities exchange. To the extent that there is no liquid trading market for such investments, the Client or the Underlying Portfolio

Funds may be unable to liquidate such investments or may be unable to do so at a profit. Furthermore, there can be no assurance that private purchasers for any illiquid investments made by Clients or the Underlying Portfolio Funds will be found. In addition, in certain circumstances, governmental or regulatory approvals may be required for a Client or an Underlying Portfolio Fund to dispose of an investment, or the Underlying Portfolio Fund may be prohibited by contract or for legal or regulatory reasons from selling an illiquid investment for a period of time.

General Risks Relating to Underlying Managers and Other Financial Intermediaries

In connection with investments in Underlying Portfolio Funds, Clients will be dependent upon Underlying Managers, who will have custody and control of Client assets invested in such Underlying Managers' Underlying Portfolio Funds. The failure of an Underlying Manager or financial intermediary to fulfill its obligations may have a material adverse effect on the related investment and overall performance. If any Underlying Manager, any other financial intermediary, or any of such Underlying Manager's or financial intermediary's counterparties becomes insolvent or files for bankruptcy, a Client or investor could suffer complete or partial losses and increased illiquidity.

Financial Failure of Intermediaries

The institutions, including brokerage firms and banks, that serve as counterparties on transactions or to which securities have been entrusted for custodial purposes, may encounter financial difficulties that may impair their operational capabilities or result in losses in Client accounts.

Possible Misconduct by Underlying Managers

Because Clients invest through Underlying Managers or private funds that are separate from Stamos Capital and over which the Firm does not have physical custody or control of assets, an Underlying Manager could divert or abscond with a Client's assets, fail to follow its stated investment strategies, issue false reports, or engage in other misconduct.

Key Principals of the Underlying Managers

Underlying Managers are likely to be dependent on the services of one or a few key individuals. The loss of a key individual could impair an Underlying Portfolio Fund's ability to achieve its investment objective.

Significant Increase or Decrease in Managed Assets

Clients or investors may invest directly or indirectly with Underlying Managers or SCP Funds who are experiencing a significant increase or decrease in the assets they manage, which may impair their ability to generate returns. In addition, an Underlying Portfolio Fund or an SCP Fund faced with a significant increase or decrease in assets to invest may divert from stated strategies into strategies or markets with which it may have little or no experience. This could result in losses.

Multiple Asset Classes

Investments in multiple asset classes, including, but not limited to, investments in equity securities, debt instruments, derivatives, contracts and other assets involve the risk of partial or complete capital loss. A variety of investment strategies designed to improve returns, reduce the total portfolio risk or both, such as buying and selling of puts and calls on both a covered and uncovered basis, buying and selling of derivatives, including swap contracts, futures contracts, forward contracts and custom derivative or synthetic instruments, securities borrowing and selling short, investing borrowed funds secured by the Underlying Manager's investment portfolio, and offsetting positions in various credit or equity instruments, including unsecured and secured debt, preferred stock, common stock and derivatives, may instead increase the adverse impact on returns.

Conflicts Related to Multiple Underlying Managers

Because the Underlying Managers make their trading decisions independently, it is theoretically possible that one or more of such Underlying Managers may, at any time, take investment positions that are opposite of positions taken by other Underlying Managers. The Underlying Portfolio Funds or separate accounts may on occasion be competing for similar positions at the same time.

Co-Investments with Third Parties

Co-investments with third parties may negatively impact the returns of such investment if, for example, a third-party co-investor has financial difficulties or economic or business interests or goals that are inconsistent with those of the Firm's Clients, or if such co-investor is in a position to take (or block) action in an adverse manner. In circumstances where such third parties involve a management group, such third parties may enter into compensation arrangements relating to such investments, including incentive compensation arrangements. Such compensation arrangements will reduce the returns to participants in the investments.

Market Risks

Status of Markets and Economic Conditions. The outcome of any investment activity is determined to some degree by general economic conditions, which may affect the level and volatility of equity and debt markets, interest rates, and the extent and timing of investor participation in the equity securities and interest-rate markets. Investment performance will be materially affected by conditions in the global financial markets and economic conditions generally. The global markets may offer a lack of liquidity, general uncertainty about economic activity levels, substantially increased volatility and short-selling, and an overall reduction of investor and consumer confidence. Changing economic conditions in the global economy or in specific regional economies may also impact the ability to reduce relative investment risk. The stability and sustainability of growth in global economies may be rapidly impacted by extrinsic factors, such as risks inherent in the financial system, economic intervention by governments, monetary policy actions by certain banks, terrorism or acts of war.

Derivatives. Derivatives, such as options, swaps, futures, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices, derive their performance, at least in part, from the performance of an underlying asset, index or interest rate and generally involve a higher degree of risk. Derivatives typically allow an investor to hedge or speculate on the price movements of a particular security, financial benchmark currency, index or commodity at a fraction of the cost of investing in the underlying asset itself. The decision as to when and to what extent to hedge or follow other trading strategies depends on many factors. There can be no assurance that hedging or other trading strategies will be available or effective or that the performance of the hedge will correspond appropriately to that of the assets hedged. Most of these instruments are not traded on exchanges, but rather through a network of banks and dealers that have no obligation to make markets in them and can apply essentially discretionary margin and credit requirements (and thus in effect force an Underlying Manager to close out positions). Some derivatives carry the risk of failure to perform by the counterparty to the transaction.

Market movements are difficult to predict, and financing sources and related interest rates are subject to rapid change, which may produce significant, rapid and unpredictable changes or price instability, market illiquidity, or credit distress. Price movements of futures contracts and other derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments, and interest-rate-related futures and options. Such intervention is often intended to directly influence prices and may, together with other factors, cause markets to move rapidly in the same direction. Certain derivatives also involve embedded leverage, and a relatively small price movement in the underlying reference security may result in substantial losses to the Underlying Portfolio Fund. Non-performance by counterparties could create losses, whether or not the transaction itself was profitable. The market for derivatives instruments is developing and Stamos Capital or the Underlying Managers may invest in derivatives that currently are not available, but that may be developed. Special risks may apply to instruments that cannot be determined at this time or until such instruments are developed.

Short Selling. Some Underlying Managers may engage in short selling. Short selling involves selling securities, which the seller may or may not own, and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in the price of securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities back to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Systemic and Counterparty Risk. "Over-the-counter" or "interdealer" markets typically are not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. Investing in swaps, derivatives or synthetic instruments, or other over-the-counter transactions on these markets may involve credit risk with regard to trading counterparties and may introduce the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions, which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and pose the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where transactions are concentrated with a single or small group of counterparties. Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution may cause a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and it may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Underlying Managers interact on a daily basis. In the case of a default, a Client account could become subject to adverse market movements while replacement transactions are executed. There are no restrictions from dealing with any particular counterparty or from concentrating any or all transactions with one counterparty. Moreover, there is no internal credit function that evaluates the creditworthiness of such counterparties.

Investing Globally. Any investment in a foreign country involves risks not found in the domestic securities market, including, among others:

- Economic and financial instability in the foreign country, which in some cases may include a collapse in credit markets, stock prices, currencies, or consumer spending
- Adverse social and political developments, including nationalization, confiscation without fair compensation, political and social instability, and war
- Foreign-government-imposed restrictions on the repatriation of investment income or capital or on the ability of foreign persons to invest in certain types of companies, assets, or securities
- Lack of availability of sufficient financial information as a result of corporate governance, accounting, auditing, and financial reporting standards that differ from those in the United States
- Lack of adequate legal recourse for the redress of disputes, and in some countries the pursuit of such disputes may be subject to a highly prejudiced legal system, including in particular the laws with respect to the rights of investors that may not be as comprehensive or well developed as those in the United States, and the procedures for the judicial or other enforcement of such rights that may not be as effective as in the United States

- Significant variability in the volume of trading
- Volatility of prices and the liquidity of issuers in the markets of different countries
- Foreign-government-imposed limitations on the ability to invest in securities of certain issuers located in those countries
- Delays in settlement that may result in temporary periods when assets are un-invested and no return is earned thereon
- Risks related to the fact that some investments may be denominated in foreign currencies and therefore will be subject to fluctuations in exchange rates
- The level of government supervision and regulation of securities exchanges, securities dealers and listed and unlisted companies differing throughout the world
- The possibility of expropriation or confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income
- Limitations on the removal of funds or other assets
- Managed or manipulated exchange rates and other issues affecting currency conversion
- Political or social instability or diplomatic developments that could affect investments in those countries
- Risks related to applicable tax laws and regulations and tax treaties, which are likely to vary from country to country and may be less well developed than those in the United States, possibly resulting in retroactive taxation, so a fund could become subject to an unanticipated local tax liability.

Further, a non-United States investment may require significant government approvals under corporate, securities, exchange control, foreign investment, and other similar laws, and may require financing and structuring alternatives that differ significantly from those customarily used in the United States.

Emerging Markets. Investing in companies based in emerging markets involves considerations that include political and economic factors, such as greater risks of expropriation, nationalization, and general social, political, and economic instability; the small size of the securities markets in emerging markets and the low volume of trading, resulting in potential lack of liquidity and price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; potential for governments to impose currency controls, thereby limiting the ability to repatriate investment principal and accumulated appreciation or depreciation; inconsistencies among local, regional, and national laws; and certain government policies that may restrict investment opportunities. An Underlying Portfolio Fund or Underlying Manager, as a foreigner, may be subject to legal or regulatory constraints or prejudices that do not affect local investors. Less investment and other information may be available to investors, and there may be a lack of uniform accounting, auditing, and financial reporting standards, inadequate settlement procedures, and potential difficulties in enforcing contractual obligations.

Foreign Exchange Risks. The prices of debt and equity securities, and other financial instruments, denominated in currencies other than the U.S. dollar are determined with reference to currencies other than the U.S. dollar. However, Stamos Capital values securities and other assets in U.S. dollars. To the extent currency risk is unhedged, the value of such assets will fluctuate with U.S.

dollar exchange rates and because of valuation change in the investment. Thus, an increase in the value of the U.S. dollar against another currency reduces the effect of price gains and magnifies price decreases on the security in the local market. Conversely, a decrease in the value of the U.S. dollar against another currency increases the effective price gains and magnifies price increases on the security in the local market. Forward currency contracts and options may be used to hedge against currency fluctuations; however, there can be no assurance that such hedging transactions will be effective.

Suspensions of Trading. Securities and commodities exchanges typically can suspend or limit trading in any instrument traded on the exchange. A suspension could render it impossible to liquidate positions and could expose Clients and investors to losses.

Lack of Liquidity. The markets for some instruments may experience periods of limited liquidity and depth. In addition, under certain market conditions, such as during volatile markets or when trading in a security or market is otherwise impaired, the liquidity of the Underlying Managers' portfolio positions may be further reduced. This lack of liquidity could be a disadvantage both in the realization of quoted prices and in the execution of orders at desired prices. Accordingly, Client accounts may be required to hold investments for a longer period of time than desired or may be required to mark down the value of investments that are subject to such limited liquidity. Furthermore, if substantial trading losses are incurred, the need for liquidity could rise sharply while access to liquidity could be impaired. In addition, in conjunction with a market downturn, counterparties could incur losses of their own, thereby weakening their financial condition and increasing credit risk, which would adversely affect the ability to rebalance portfolios or to meet withdrawal requests.

Interest Rate Risk. A decline in interest rates could reduce the amount of current income that investments are able to generate from interest on convertible and floating-rate debt and the proceeds of short sales. An increase in interest rates could reduce the value of debt and convertible securities. To the extent that the cash flow from a fixed income security is known in advance, the present value (i.e., discounted value) of that cash flow decreases as interest rates increase; to the extent that the cash flow is contingent, the dollar value of the payment may be linked to then-prevailing interest rates. Moreover, the value of many fixed income securities depends upon the shape of the yield curve, not just on a single interest rate. Thus, for example, a callable cash flow, the coupons of which depend on a short rate such as three-month London Interbank Offered Rate ("LIBOR"), may shorten (i.e., be called away) if the long rate decreases. In this way, such securities are exposed to the difference between long rates and short rates. The value of floating rate securities is closely tied to the absolute levels of such rates, or the market's perception of anticipated changes in those rates. This introduces additional risk factors related to the movements in specific interest rates that may be difficult to hedge and may also interact in a complex fashion with prepayment risks.

2. Risks Related to Methods of Analysis

Investment and Due Diligence Process

Before making investments, Stamos Capital will conduct due diligence that it deems reasonable and appropriate based upon the facts and circumstances applicable to each investment. When conducting due diligence, the Firm may evaluate important and complex business, financial, valuation, tax, accounting, and legal issues. In other instances, the Firm may rely exclusively on secondary research or due diligence provided by another investor, whether or not the Firm has access to the results of the research or diligence conducted by such other parties or has had prior dealings with an Underlying Manager. When conducting due diligence and making an assessment regarding an investment, the Firm relies upon the resources reasonably available to it, which in some circumstances, whether or not known to the Firm at the time, may not be sufficient, accurate, complete or reliable. Access to information and due diligence opportunities may also vary significantly depending on the method of investment used (e.g., direct investment, joint venture or through Underlying Portfolio Funds). Due diligence may not reveal or highlight matters that could have a material adverse effect on the value of an investment.

Proprietary Investment Strategies

Underlying Managers may use proprietary investment strategies that are based upon considerations and factors that are not fully disclosed to Stamos Capital. These strategies may involve risks under some market conditions that are not anticipated by the Underlying Managers or by the SCP Funds. These proprietary or alternative strategies may involve significantly more risk and higher transaction costs than more traditional investment methods. In addition, the performance of the Underlying Managers may be closely correlated in some market conditions, resulting (if those returns are negative) in significant losses.

Availability of Suitable Opportunities

Stamos Capital identifies and invests in Underlying Portfolio Funds or other investments that meet desired investment criteria. Identifying attractive investment opportunities and the right investment advisers is difficult and involves a high degree of uncertainty. The identification of an attractive fund or security does not ensure that access will be provided or available to that particular fund or security, for reasons including, but not limited to, the high level of investor demand some funds receive.

Impact of Investments with a Drawdown Structure

To the extent that capital is needed with respect to an SCP Fund's direct or indirect investment that is structured as a drawdown fund with capital call obligations, the SCP Fund may be required to borrow or liquidate certain investments to fund such obligations. As a result, the SCP Fund may maintain a portion of its capital in cash or highly liquid investment strategies, neither of which would provide for significant capital appreciation, in order for funds to be available for investment drawdowns as they are called.

Diversification and Concentration

Stamos Capital expects to build portfolio holdings in multiple asset classes, designed to afford certain expected diversification benefits, such as the reduction in exposure to adverse events associated with specific issuers or industries. However, certain portfolios may have limited or no diversification benefits due to a concentrated position in certain asset classes and/or securities. In addition, investments in overlapping strategies could result in large positions in the same or related securities in a Client account. The cumulative effect of all asset classifications, which are made subject to inherent subjectivity, may result in risk of a skewed perception by the Firm of the true risk and return characteristics of its overall portfolio, including liquidity. As a result, certain asset classes may be under- or over-weighted relative to the Firm's preferred asset allocation targets and, accordingly, a Client's account may be over- or under-allocated to certain asset classes or may be subject to concentration risks within the portfolio as a result. The Firm's ability to avoid such concentration depends on its ability to liquidate or reallocate Client capital among direct investments, including equity and debt securities, or existing or new Underlying Portfolio Funds, or separate accounts, each of which might not be immediately feasible or feasible for several months, depending on market conditions and funding and liquidity constraints, including withdrawal and contribution limitations. In addition, certain asset classes are more difficult to value accurately, such as private equity or illiquid credit, and inaccuracies in valuation may result in departures of the actual portfolio from the intended asset allocation targets. Additionally, diversification may not be achieved as a result of insufficient investment opportunities or insufficient assets available for investment as a result of insufficient subscriptions or withdrawals by fund investors. Consequently, returns as a whole may be adversely affected by the unfavorable performance of even a single investment or strategy.

Allocation Risk

Stamos Capital has broad discretion to under- or over-weight allocations among asset classes, strategies, and investments. There is no assurance that its decisions in this regard will be effective in increasing investment returns or limiting relative risk. In addition, the Firm may be limited in its ability to make changes to allocations due to the subscription and withdrawal provisions of the Underlying Portfolio Funds, including because of notice periods, lock-up periods, and limited subscription and withdrawal dates. In addition, asset allocation decisions made by the Firm may be based upon information provided by the Underlying Portfolio Funds or separate account managers and collected from third parties. If such information is inaccurate or incomplete, the actual allocations could deviate from the Firm's intended allocations, which could have a material adverse effect on the ability of the Firm to execute investment objectives.

Leverage (Borrowed Money)

Leverage may be used for operating and investing purposes. Leverage increases returns if it produces a greater return than the cost of the leverage. In an unsettled credit environment, it may be difficult or impossible to obtain leverage, which would limit the full implementation of an investment strategy. Margin borrowing exposes Clients to greater losses from investments than would otherwise have been the case had there been no borrowing; margin calls or changes in margin requirements may force premature liquidations of investment positions; and losses on

investments where the investment fails to earn a return that equals or exceeds the cost of leverage associated with such investment. In case of a sudden, precipitous drop in value of assets, it may not be possible to liquidate quickly enough to repay borrowings, further magnifying the losses incurred.

Due Diligence Errors

It is possible that Stamos Capital may miss or misinterpret information during its due diligence process. The Firm has established procedures to mitigate this risk, but there is no assurance that it will be successful in any particular situation. An Underlying Manager could be engaged in wrongdoing that is not uncovered by the due diligence process.

Estimates of Net Asset Value from Underlying Managers

The net asset values received from Underlying Managers typically are estimates, subject to revision through the end of each Underlying Portfolio Fund's annual audit, which may occur, if at all, on a date other than December 31. Revisions to gain and loss calculations are an ongoing process, and no appreciation or depreciation figure can be considered final until the annual audit is completed, if at all.

New Strategies

New strategies employed by Underlying Portfolio Funds may not have been in use during periods of major market stress, disruption or decline. As a result, it is difficult to predict how these strategies will perform in periods of turmoil.

Access to Information

Stamos Capital generally requests information from each Underlying Manager regarding the Underlying Portfolio Fund's historical performance and investment strategy, as well as portfolio information on the Underlying Portfolio Fund on a continuing basis. However, the Firm is not always provided with such information because certain details may be considered proprietary or confidential trade secrets by the particular Underlying Manager. This lack of access to information may make it more difficult to select, allocate among, and evaluate Underlying Managers. Furthermore, the Firm may be restricted from providing Clients or investors in an SCP Fund with information in its possession regarding an Underlying Portfolio Fund. This may make it more difficult for Clients or investors in an SCP Fund to evaluate the performance of their investments, including in such SCP Fund.

C. RISKS INVOLVED WITH RECOMMENDING A PARTICULAR TYPE OF SECURITY

Private Funds

Reliance on Underlying Fund Management. Certain Client accounts will invest in Underlying Portfolio Funds and through separate accounts managed by Underlying Managers that are unrelated to Stamos Capital. Returns could be substantially and adversely affected by the unfavorable performance of one or more such Underlying Portfolio Funds or separate accounts. Subjective decisions made by the Underlying Managers may cause the Underlying Portfolio

Funds or separate accounts to incur losses or to miss profit opportunities on which they would otherwise have capitalized. Furthermore, Underlying Managers may have a substantial amount of discretion to change their investment approach, typically without notice to or approval by investors. Investors will have no right or power to participate in the management or control of the Underlying Portfolio Funds or separate accounts and will not have an opportunity to evaluate the specific investments made by the Underlying Managers. Underlying Portfolio Funds may also experience “style drift,” which is typically unintended and unapproved movement away from such Underlying Portfolio Fund’s stated investment strategy.

Absence of Regulatory Oversight. Many funds approved for investment by Stamos Capital are private funds or similar structures sold in private placements and are not registered investment companies under the 1940 Act. Some of the Underlying Managers may not be registered as investment advisers under federal or state law. Interests in the SCP Funds have not been registered under the Securities Act. Consequently, Clients and investors will not be entitled to certain of the protections of the federal securities laws.

Agreements with One or More Investors. From time to time, an SCP Fund may enter into Side Letters with one or more investors, which provide such investor(s) with additional or different rights (including, without limitation, with respect to access to information, management fees and performance-based compensation, minimum investment amounts, and liquidity terms). As a result of such Side Letters, certain investors may receive benefits, such as reduced fee obligations, the ability to withdraw on shorter notice or pursuant to different terms, and/or expanded informational rights.

Compensation Arrangements. In cases in which the general partner or Underlying Managers of an SCP Fund receive compensation based upon the performance of their investments, they may be incentivized to make investments that are riskier or more speculative than would be the case if such arrangements were not in effect.

Limited Operating History. Each SCP Fund, Underlying Portfolio Fund, and Underlying Portfolio Manager may have a limited operating history upon which prospective investors can evaluate their likely performance. The past investment performance of an SCP Fund, Underlying Portfolio Fund, or Underlying Portfolio Manager should not be construed as an indication of the future performance results of an investment in that or any other fund.

Delayed Schedules K-1. Stamos Capital and the SCP Funds endeavor to furnish tax information as soon as practicable following the end of each year. However, fund-related tax information may not be provided on a timely basis. For instance, in order to furnish such tax information, the Firm must first receive corresponding tax information from all Underlying Portfolio Funds and other investments, and such reporting may be delayed. Clients and SCP Fund investors may be required to file extensions of the filing date for their income tax returns at the federal, state and local levels for any given year, particularly as a result of illiquid investments.

Tax on Profits, Whether or Not Distributed. The SCP Funds are not required to distribute profits. If the SCP Funds have taxable income in a fiscal year, such income will be taxable in accordance with each investor’s allocable shares, whether or not such profits have been distributed. In the

event of capital losses, investors may still be required to pay tax on the ordinary income earned, because any trading losses sustained will be, in most if not all cases, capital losses which are deductible against only a limited amount of ordinary income. In any taxable year, the tax liability for any profits might exceed any cash withdrawn or distributions received or may exceed the cash withdrawn by or distributed to the investor for that same taxable year. Stamos Capital is not a tax accounting firm, and Clients should consult their own tax advisers with respect to their investments.

Illiquidity. There is no public market for interests in any private funds, including the SCP Funds or the Underlying Portfolio Funds, and it is not expected that a public market will develop. There are substantial restrictions on the transferability of interests, including the requirement in a partnership agreement that most transfers be approved by the general partner. There are also other contractual restrictions and restrictions imposed by applicable federal securities laws and the laws and regulations of other jurisdictions, which may require an indefinite holding period with respect to private fund interests, including those of the SCP Funds. Many private funds have lock-up provisions that prohibit withdrawing money for a certain period of time. Some of these investments require advance notice of withdrawal or partial withdrawal, while other investments last until the fund ends. Underlying Portfolio Funds (including SCP Funds) may distribute investments “in-kind,” such as distributions of illiquid securities (including interests or shares in or of, respectively, other SCP Funds). The SCP Funds may in turn make in-kind distributions of these investments. There can be no assurance that Clients or investors would be able to dispose of these investments or that the value of these investments will ultimately be realized.

Special Investments. Certain SCP Funds invest substantially in illiquid investments or investments of which the market value is not readily ascertainable. Certain special investments that are illiquid may be held in a special investment account. Under certain circumstances, an investor may request that the general partner buy out the investor’s position. However, while the general partner has the right to make such a purchase at fair market value as determined by the general partner, it is not obligated to honor the request, and such a decision will be based upon the available cash and the desirability of the specific special investment, among other considerations. There can be no guarantee that the determination by the general partner accurately reflects the value of such special investment. If a special investment is not allocated to a special purpose vehicle, additional contributions to the SCP Fund will dilute the existing investors’ interest in such investment and withdrawals from the SCP Fund will lead to an increase of the remaining investors’ interest in such investment.

Risks Associated with Underlying Investments

Small- and Medium-Capitalization Companies. The securities of companies with small-to-medium-sized market capitalizations historically have involved more volatile prices than those of large-capitalization stocks and a higher risk of bankruptcy or insolvency. Small capitalization companies may require substantial additional capital or borrowings. There is often less publicly available information concerning such companies, making them more difficult to value. Investments in companies with limited or no operating histories are more speculative and entail greater risk than do investments in companies with an established operating record.

Venture Capital Investments. Venture-capital-backed private companies (or direct investments) generally involve taking positions in the equity or debt securities of private companies, which often experience unexpected problems in the areas of product development, manufacturing, marketing, financing, and general management, which, in some cases, cannot be adequately solved. Often, little or no secondary market exists for such securities of private companies, and many of the direct investments could involve placing investor capital at risk for longer periods than for investments in Underlying Portfolio Funds. While investments in growth-stage companies offer the opportunity for significant capital gains, such investments involve a high degree of business and financial risk, which can result in substantial losses. Investments in more mature companies in the expansion or profitable stages also involve substantial risks. Such companies typically have obtained capital in the form of debt or equity to expand rapidly, reorganize operations, acquire other businesses or develop new products and markets.

Real Estate Investments. Real estate investing involves a high degree of risk, including significant financial, operating, and competitive risks. Frequently, real estate investments involve the use of substantial leverage (or borrowed money), which will increase the exposure of such assets to adverse macroeconomic conditions, such as increases in interest rates or downturns in the economy, enhancing the risk of loss. Also, real estate investments involve exposure to business cycles, local economic conditions, liability risks and other factors that may not be present in other types of investments. Foreign real estate markets can be more volatile than U.S. markets due to increased risk of adverse issuer, political, regulatory, market or economic developments and can perform differently than the U.S. market.

Natural Resources. Investments in natural resources involve the costs associated with the development, production, transportation, and marketing of natural resources and are subject to many risks. An investment that depends upon the continued and long-term success of these activities is inherently uncertain. Investments in such sectors may be affected by a number of factors not present with other investments, including local and global commodity price fluctuations, government regulation, environmental issues, shifts in supply and demand for such resources, land use and title issues, import and export duties and other trade issues, changing macroeconomic conditions, changes in fuel, and other input prices and labor issues. The natural resources industry can be significantly affected by events relating to international political developments, energy conservation, the success of exploration projects, commodity prices, and tax and government regulations.

Energy-Related Investments. The costs associated with the exploration, development, production, transportation, and marketing of energy-related resources are subject to many risks, and an investment that depends upon the continued and long-term success of these activities is inherently uncertain. Investments in the energy sector may be affected by a number of factors not present with other investments, including, without limitation, obsolescence or failure of an energy source or energy technology to gain acceptance in the marketplace, federal and local regulatory issues, changing environmental regulations or public sentiment, changing macroeconomic conditions or input prices, inadequate reserves, speculation in the energy markets, adverse changes in relationships or contracts with public and private customers, labor

issues, and other risks associated with the timing, amount, and cost of production. Many energy-related resources are subject to governmental regulations that can change over time. The energy industry can be significantly affected by the supply of and demand for specific products and services, the supply of and demand for oil and gas, the price of oil and gas, exploration and production spending, government regulation, world events, and economic conditions. At times, the performance of securities of companies in the energy and natural resource industry will lag the performance of other industries or the broader market as a whole.

Fixed-Income Securities. Fixed-income securities are subject to the risk of the issuer's or a guarantor's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer, the rate of inflation, and general market liquidity (i.e., market risk). In addition, mortgage-backed securities and asset-backed securities may also be subject to call risk and extension risk. Zero coupon bonds and deferred interest bonds, which are debt obligations issued at a significant discount from face value, experience greater volatility in market value due to changes in interest rates than debt obligations that provide for regular payments of interest of the same maturity.

High-Yield Debt; Distressed Debt. Companies that are in transition, out of favor, financially leveraged or troubled, or involved in major strategic actions, restructurings, bankruptcy, reorganization or liquidation, are likely to be particularly risky investments, although they also may offer the potential for correspondingly high returns. High-yield bonds (commonly known as "junk bonds"), distressed debt instruments, and other debt securities will typically be subordinated to the obligations due by companies to senior creditors, trade creditors, and employees. The lower rating of high-yield debt reflects a greater probability of default and the possibility that the market for lower grade debt securities may be thinner and less active than that for higher-grade debt securities, and thus less liquid. This could result in an inability to sell such securities for an extended period of time, if at all.

Restricted Securities. Restricted securities may not be sold to the public without an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act") or, if they are unregistered, may be sold only in a privately negotiated transaction or pursuant to an exemption from registration, rendering them illiquid.

Equity Securities. The value of equity securities, including publicly-traded equity securities, may decline over time. The volatility of equity securities means that the value of an investment may increase or decrease.

Growth Stock Risk. Certain Underlying Portfolio Funds or Underlying Managers invest in "growth" stocks. Securities of growth companies may be more volatile since such companies usually reinvest a high portion of earnings in their businesses, and they may lack the dividends of value stocks that can cushion stock prices in a falling market. In addition, earnings disappointments often lead to sharply falling prices because investors buy growth stocks in anticipation of superior earnings growth.

Value Stock Risk. Certain Underlying Portfolio Funds or Underlying Managers invest in “value” stocks. Particular risks of a value approach include that some holdings may not recover and provide the capital growth anticipated, or that a stock judged to be undervalued may actually be appropriately priced. Further, because the prices of value-oriented securities tend to correlate more closely with economic cycles than growth-oriented securities, they generally are more sensitive to changing economic conditions, such as changes in interest rates, corporate earnings, and industrial production. The market may not favor value-oriented stocks and may not favor equity securities at all. During those periods, relative performance may suffer.

Buyouts/Growth Capital. Buyout and growth capital funds frequently structure their investments with the use of leverage. While the use of leverage may enhance the returns on a successful investment, a company with a leveraged capital structure will be subject to increased exposure to changing economic conditions, such as significant interest rate increases, or a downturn in the economy or the company’s industry, enhancing the risk of loss associated with the investment.

Venture Capital. It is anticipated that the portfolio companies of venture capital funds will confront a significant degree of financial, operating, illiquidity, and competitive risk. In addition, many of these companies, due to their limited revenues and history of operating losses, may need to rely on their ability to fund continuing operations via the private and public capital markets. Such continued funding may be curtailed due to a variety of factors, which may include, but would not be limited to, rising interest rates, downturns in the economy or deterioration in the condition of the company or its industry.

Distressed and Special Situations. Significant risk exists that a turnaround effort for a company in a distressed financial condition will not be successful and that all or a significant portion of the capital invested in such situations may be lost. “Special situation” investments are opportunistic in nature. Such investments are likely to involve significant risks and illiquidity, and any returns from these investments will be subject to substantial uncertainty.

Specific Conflicts Considered

Cross Trades. On occasion, Stamos Capital may determine that it would be in the best interests of one or more Clients, including the SCP Funds, to transfer a security from one Client to another (each such transfer, a “Cross Trade”) for a variety of reasons, including, without limitation, for tax or liquidity purposes, to rebalance the portfolios of Clients’ accounts, or to reduce transaction costs that would arise in an open market transaction. If Stamos Capital decides to engage in a Cross Trade, Stamos Capital will determine that the trade is in the best interests of both Clients involved and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those Clients.

9. Disciplinary Information

A. CRIMINAL OR CIVIL PROCEEDINGS

The Firm has no civil or criminal actions to report.

B. ADMINISTRATIVE PROCEEDINGS BEFORE REGULATORY AUTHORITIES

The Firm has no administrative proceedings before the SEC, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority to report.

C. SELF-REGULATORY ORGANIZATION (SRO) PROCEEDINGS

The Firm has no SRO disciplinary proceedings to report.

10. Other Financial Industry Activities and Affiliations

A. REGISTERED REPRESENTATIVES OF A BROKER DEALER

This Item is not applicable to Stamos Capital.

B. FUTURES COMMISSION MERCHANT, COMMODITY POOL OPERATOR, OR COMMODITY TRADING ADVISER REGISTRATION STATUS

While Stamos Capital may trade, directly or indirectly, commodity interests on behalf of Clients, it is exempt from registration with the CFTC as a Commodity Trading Adviser ("CTA") and as a Commodity Pool Operator ("CPO").

As an exempt CPO, the Firm is not required to deliver a CFTC disclosure document to prospective investors, nor is it required to provide those investors with certified annual reports that satisfy the requirements of CFTC rules applicable to registered CPOs.

The current basis for the CPO exemption is that, among other things (i) the SCP Funds invest in other commodity pools; (ii) each investor is either (a) an "accredited investor" as defined under SEC rules or otherwise, or (b) a "qualified eligible person" as defined in CFTC Rule 4.7(a)(2); (iii) the interests in the SCP Funds are exempt from registration under the Securities Act and are offered and sold without marketing to the public in the United States; (iv) participations in the SCP Funds are not marketed as or in a vehicle for trading in the commodity futures or commodity options markets; (v) with respect to its direct trading, at all times each of the SCP Funds establishes a commodity interest or security futures position, either (a) the aggregate initial margin and premiums required to establish such positions will not exceed 5% of the liquidation value of the Fund's portfolio, respectively; or (b) the aggregate net notional value of such positions will not exceed 100% of the liquidation value of the Fund's portfolio, respectively; and

(vi) with respect to its indirect trading, the SCP Fund relies on the relief provided by CFTC no-action letter 12-38.

Stamos Capital is also exempt from registration with the CFTC as a CTA under CFTC Rule 4.14(a)(8).

C. MATERIAL RELATIONSHIPS OR ARRANGEMENTS WITH INDUSTRY PARTICIPANTS

As discussed further in Item 14, Stamos Capital may compensate unaffiliated broker-dealers for the referral of investors. Stamos Capital also from time to time consults with advisers on industry matters, some of whom are investors in an SCP Fund or affiliates of Stamos Capital. Advisers to the Firm generally consult without a cash compensation arrangement.

D. MATERIAL CONFLICTS OF INTEREST RELATING TO OTHER INVESTMENT ADVISERS

Due to the nature of the Firm's Clients, investors, and investment activities, the Firm may have multiple relationships and affiliations with Clients, investors, and investments made by the SCP Funds or investments recommended by the Firm. Certain Clients, investors, and affiliates may act as advisers to Stamos Capital, and these relationships may present conflicts of interest.

For instance, certain SCP Funds invest in Underlying Portfolio Funds or with Underlying Managers that hold interests in another SCP Fund, or may be direct or indirect joint venture partners with the Firm, or whose partners, officers, directors or employees may hold a direct or indirect interest in the Firm. SCP Funds also invest in Underlying Portfolio Funds or in portfolio companies, or with Underlying Managers, in which the Firm or its partners, officers, directors or employees holds a direct or indirect financial interest. When Stamos Capital elects to invest Client assets in Underlying Portfolio Funds or Underlying Managers, the Firm does not receive compensation directly or indirectly from those funds or advisers.

Or, in the process of selecting Underlying Portfolio Fund investments, the Firm will on occasion elect to invest the assets of one SCP Fund into another SCP Fund. When doing so, the investing SCP Fund will not be subject to duplicate management fees, although depending upon the circumstances, conflicts of interest may exist. As noted previously in response to Item 6, a conflict may arise in the allocation process due to the different incentive fees associated with each SCP Fund, and this may be relevant to any potential cross investment. Additionally, when considering SCP Funds for a cross investment, the Firm may exercise its discretion in a way that favors one SCP Fund over another.

The Firm seeks to mitigate any conflicts of interest by making or recommending investments the Firm believes to be in the best interest of the relevant Clients. Stamos Capital follows an investment process it believes is appropriate for the types of investments it makes and the types of Clients to whom the Firm recommends investments. Please see Item 11, Code of Ethics, Participation or Interest in Client Transactions and Personal Trading for additional information.

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

A. CODE OF ETHICS

Stamos Capital has adopted a Code of Ethics under Rule 204A-1 of the Advisers Act for access persons ("Access Persons") of the Firm, which includes, with certain exceptions, all employees. The Code of Ethics is designed to guide Access Persons in their ethical obligations and to provide rules for their personal securities transactions. Specifically, the Code of Ethics requires Access Persons to (i) place the interests of the Firm's Clients first; (ii) conduct all personal securities transactions in a manner consistent with the Code of Ethics and in such a manner as to avoid any actual or potential conflict of interest or any abuse of their position of trust and responsibility; (iii) not take inappropriate advantage of their positions or of their relationship with the Firm's Clients; (iv) maintain the confidentiality of Client information; (v) not misuse non-public information; and (vi) comply at all times with all applicable federal securities laws and other governmental rules and regulations.

The Code of Ethics contains (i) certain reporting requirements applying to the purchase and sale of securities and security holdings; and (ii) securities trading pre-clearance procedures applying to the purchase and sale of securities. In general, Access Persons may not acquire ownership of any securities except for (i) mutual funds or ETFs that are pre-approved, and if they meet certain suitability requirements, SCP Funds that are pre-approved; (ii) transactions in which an Access Person has no direct or indirect influence or control; (iii) transactions pursuant to an automatic investment plan; (iv) purchases effected upon the exercise of rights issued by an issuer pro rata to all holders of a class of its securities; and (v) acquisitions of securities through stock dividends, stock splits, reverse stock splits, mergers, consolidations, spin-offs, and other similar corporate reorganizations. Generally, Access Persons must obtain pre-approval before selling or otherwise disposing of a security from a personal account.

The Code of Ethics also prohibits employees from (i) participating in certain outside business activities without pre-approval; (ii) making any political contributions that are designed to influence a political official or government entity to direct investment advisory business, or services to the Firm; or (iii) accepting or making gifts that are outside the normal course of business. All employees must provide a quarterly certification reporting personal securities holdings, outside business activity, political contributions, and gifts or entertainment given or received. All employees are also responsible for reporting any known violations of the Code of Ethics to the Chief Compliance Officer.

Stamos Capital will provide a copy of the Code of Ethics to any current or prospective Client or investor upon request.

B. LIMITATIONS ON SECURITIES TRANSACTIONS WHERE AN EMPLOYEE OR A RELATED PERSON HAS A MATERIAL FINANCIAL INTEREST

Investments in Other SCP Funds

As previously noted in response to Item 10, certain SCP Funds invest in other SCP Funds, and in such cases, a related Stamos Capital entity may serve as the general partner to both SCP Funds. Similarly, the Firm recommends SCP Funds to Other Client investors. In order to minimize the potential conflict inherent in this practice, the Firm waives management and performance fees as necessary to avoid having an investor or Other Client pay two sets of management or performance fees to the Firm in connection with one investment.

Investment Recommendations

When providing tailored, non-discretionary advisory services to Other Clients, which services are generally offered in conjunction with investments in the SCP Funds, Stamos Capital may recommend further investments in the SCP Funds from which it receives compensation. As the SCP Funds' adviser, Stamos Capital mitigates the conflicts that arise through these recommendations through disclosure to Other Clients of receipt of such fees, and by making such recommendations only if it believes the investment meets such Clients' investment objectives. Stamos Capital's Other Clients are primarily high-net-worth individuals and families and their investment vehicles (including retirement accounts), as well as foundations, endowments, and trusts. These Other Clients are typically sophisticated investors, and they receive additional information about the SCP Funds, such as private placement memorandums, partnership agreements, and historical performance data, as well as other information available upon request, to substantiate any recommendations and investment decisions.

Principal Transactions

To the extent that Cross Trades may be viewed as principal transactions (as such term is used under the Advisers Act) due to the ownership interest in a Client account by Stamos Capital, Stamos Capital will comply with the requirements of Section 206(3) of the Advisers Act, including making the disclosures required in Section 206 and obtaining necessary consents.

Charitable Contributions to Certain Non-Profit Investors

Some of the SCP Funds' investors are non-profit, charitable, or educational institutions. From time to time, Stamos Capital and its affiliates make charitable contributions to these organizations. It could be a conflict of interest if any such contributions were made in order to influence an institution to become or remain an investor in an SCP Fund. However, these contributions are not made for that purpose, and given their amount and nature, Stamos Capital does not believe they have that effect.

C. INVESTING IN SECURITIES RECOMMENDED TO CLIENTS

In the event the Firm is preparing for or is in the process of completing mutual fund or ETF transactions of a significant size, an employee could benefit by trading ahead of the Client in the

employee's personal securities account. To prevent this from occurring, the Chief Compliance Officer or designee withholds approval of the employee's pre-clearance trade request until after the Client transactions are completed.

In addition, certain Firm employees invest their personal capital in the SCP Funds; however, such investments do not provide employees with preferred liquidity terms over similarly situated non-employee investors in the SCP Funds.

The Firm has caused certain Clients to invest, and may in the future cause Clients to invest additional amounts, in a concentrated position in a private portfolio company that was founded and is controlled by a large equity owner of the Firm. In addition to receiving the benefits of the Clients' investments in such portfolio company, such equity owner receives a portion of the performance-based compensation from one or more Clients. Such relationship may influence the Firm in advising Clients as to whether to hold or sell investments, or invest additional amounts, in such portfolio company.

Certain Other Clients advised by the Firm may control companies in which Clients may invest. As such, a portion of the performance-based compensation received by the Firm may be due to the Firm's relationship with the Other Clients. Such relationship may also influence the Firm in advising Clients as to whether to hold or sell an investment, or invest additional amounts, in such portfolio companies.

The Firm will identify and mitigate any conflicts of interest that arise with respect to such investments in accordance with its policies and procedures.

D. CONFLICTS OF INTEREST CREATED BY CONTEMPORANEOUS TRADING

As previously described in Item 11(C) above, an employee could benefit by trading contemporaneously with the Client in the employee's personal securities account. To prevent this from occurring, the Chief Compliance Officer or designee withholds approval of the employee's pre-clearance trade request until after the Client transactions are completed.

Participation in specific investment opportunities may be appropriate, at times, for certain Clients and not others. Participation in such opportunities will be allocated on an equitable basis over time, taking into account such factors as (i) the relative amounts of capital available for new investments and, (ii) the investment programs and portfolio positions of Clients for which participation is appropriate, or (iii) tax, regulatory, legal and similar considerations that may limit Clients' participation in an investment. Orders may be combined for all such accounts, and if any order is not filled at the same price, they may be allocated on an average price basis. When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty selected by the Firm. As a result, certain trades in the same security for one Client (including an SCP Fund in which the Firm or one or more of its employees may have a direct or indirect interest) may receive more or less favorable prices or terms than another Client, and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved. Although certain Clients may pursue investment

objectives that are similar to other Clients, the portfolios of such Clients may differ from one another as a result of purchases and withdrawals being made at different times and in different amounts, as well as because of different tax and regulatory considerations. The Firm may give advice and recommend securities to one Client which may differ from advice given to, or securities recommended or bought for, another Client. The Firm will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to, any Client solely because the Firm purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to, another Client if, in its reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practicable or desirable for such Client.

The Firm may, from time to time, offer one or more Fund investors, beneficial owners of Other Clients and/or other third-party investors the opportunity to co-invest with Clients in particular investments. The Firm is not obligated to arrange co-investment opportunities, and no Fund investor will be obligated to participate in such an opportunity. The Firm has sole discretion as to the amount (if any) of a co-investment opportunity that will be allocated to a particular Fund investor or beneficial owners of an Other Client and may allocate co-investment opportunities instead to other Fund investors, beneficial owners of an Other Client, or to third parties. If the Firm determines that an investment opportunity is too large for Clients, the Firm or its personnel may, but will not be obligated to, make proprietary investments therein. The Firm may receive fees and/or allocations from co-investors, which may differ as among co-investors and also may differ from the fees and/or allocations borne by Clients.

The Firm may allocate expenses among Clients and co-investors (if any) in any manner it deems equitable, taking into account the applicable facts and circumstances, including the relative size of Client portfolios and co-investors (if any), the nature or source of the product or service and the benefits derived from and the extent of use of the product or service. The Firm's expense allocations often depend on inherently subjective determinations, but the expense allocations will be made in good faith. To the extent expenses are allocated in accordance with the foregoing, the Firm shall have the right to cause such expenses to be paid or incurred by the entity, including one or more Clients, to which such expenses are allocated. It may not always be possible or reasonable to allocate or re-allocate expenses from a Client to a co-investor, depending upon the circumstances surrounding the applicable investment (including the timing of the investment) and the financial and other terms governing the relationship of the co-investor to one or more Clients with respect to the investment, and, as a result, there may be occasions where co-investors do not bear a proportionate share of such expenses. In addition, where a potential investment is contemplated but ultimately not consummated, potential co-investors generally will not share in any expenses related to such potential investment, including expenses borne by Clients with respect to such potential investment.

The Firm will identify and mitigate any conflicts of interest that arise with respect to such investments in accordance with its policies and procedures.

12. Brokerage Practices

A. FACTORS CONSIDERED IN SELECTING OR RECOMMENDING BROKER-DEALERS FOR CLIENT TRANSACTIONS

Stamos Capital is independently owned and operated and is not affiliated with any custodian or broker-dealer.

In selecting or recommending brokers, Stamos Capital will seek best execution, which involves a number of qualitative and quantitative factors. In seeking best execution, the Firm need not solicit competitive bids and does not have an obligation to seek or pay the lowest available commission cost. The Firm does not negotiate “execution only” commission rates. In selecting a broker, the Firm takes into account, among other things, the broker’s commission rate, execution capabilities, actual experience, efficiency, promptness, financial stability, reputation, confidentiality, and research services provided by the broker.

1. Research and Other Soft Dollar Benefits

Stamos Capital does not have a soft dollar arrangement with any broker. The Firm may receive certain products and services in addition to brokerage services from a broker, which may include research reports provided to Stamos Capital by brokers that the Firm uses to execute trades. In every instance, the receipt of such services will be in accordance with the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934. To the extent Stamos Capital receives research, the Firm will generally use the research in servicing all of the Firm’s Client accounts. Not all of these services will be used by the Firm in connection with accounts that paid commissions to the brokers providing such services.

The Firm may have an incentive to select or recommend a broker based upon the Firm’s interest in receiving research or other products or services, rather than on a Client’s interest in receiving most favorable execution. Stamos Capital may direct a Client account to pay a brokerage commission in excess of that which another broker might charge for effecting the same transaction, in recognition of the value of the brokerage, research, and other services that broker provides. In such a case, the Firm determines in good faith that the commission is reasonable in relation to the value of such brokerage, research, and other services, viewed in terms of either the specific transaction or the Firm’s overall responsibilities to its Clients. An account may, therefore, pay higher brokerage commissions than are otherwise available.

2. Brokerage for Client Referrals

This Item is not applicable to Stamos Capital.

3. Directed Brokerage

In the situation where an Other Client directs Stamos Capital to use a specific broker and the Firm has not negotiated the terms and conditions (including, but not limited to, commission rates), the Firm does not have any responsibility for obtaining the best prices or particular commission rates.

Other Clients who direct the Firm to use a specific broker may pay higher commission rates or receive less favorable execution transactions than non-directing Clients.

B. ORDER AGGREGATION

Stamos Capital performs investment management services for multiple Clients, including the SCP Funds. There are occasions on which portfolio transactions are executed as part of concurrent authorizations to purchase or sell the same security for numerous Client accounts served by the Firm, which involve Clients with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to one or more particular Clients, they are executed only when Stamos Capital believes that to do so will be in the best interest of the impacted Clients. When such concurrent authorizations occur, the objective is to allocate the executions in a manner that is deemed equitable to the accounts involved. In any given situation, Stamos Capital attempts to allocate trade executions in the most equitable manner possible, taking into consideration Client objectives, current asset allocation, and availability of funds.

Trade Errors

Trade errors and similar human errors involving transactions in accounts directly or indirectly held by an SCP Fund or any derivatives contracts or other similar agreements may occur. Pursuant to the various exculpation and indemnification provisions of each SCP Fund's Governing Document, Stamos Capital generally will not be liable to the SCP Funds for any act or omission, absent bad faith, willful misconduct or gross negligence, and the SCP Funds generally will be required to indemnify Stamos Capital or related persons against any losses they may incur by reason of any act or omission related to the SCP Funds, absent bad faith, willful misconduct or gross negligence. As a result of these provisions, the SCP Fund (and not Stamos Capital) will benefit from any gains resulting from trade errors or similar human errors, absent bad faith, willful misconduct or gross negligence. Trading errors might include, for example, (i) the placement of orders (either purchases or sales) in excess of, or less than, the intended amount of securities or instruments; (ii) the sale of a security or instrument when it was intended to have been purchased; (iii) the purchase of a security or instrument when it was intended to have been sold; (iv) the purchase or sale of the wrong security or instrument; (v) the purchase or sale of a security or instrument contrary to regulatory restrictions, like Regulation S or private placement restrictions, or Fund investment guidelines or restrictions; (vi) the incorrect allocations of trades between SCP Funds; (vii) keystroke errors that occur when entering trades into an electronic trading system; and (viii) typographical or drafting errors.

Investors should assume that trading errors (and similar errors) may occur and that the SCP Funds will be responsible for any resulting losses, even if such losses result from the negligence (but not gross negligence) of the Firm's personnel. Such trade errors could result in substantial losses to the SCP Funds. In determining whether the Firm's personnel have satisfied the standard of care such that the SCP Funds are responsible for a loss resulting from a trade error, the Firm will have a conflict of interest between its economic interest and the economic interest of the SCP Funds. The determination of whether the Firm's personnel have satisfied their standard of care

will not be based solely upon the conduct of the specific Firm personnel with respect to the specific trade error at issue, but rather in the overall context of the control and compliance environment of Firm as it relates to trading activity.

13. Review of Accounts

A. FREQUENCY AND NATURE OF REVIEW OF CLIENT ACCOUNTS OR FINANCIAL PLANS

Stamos Capital regularly monitors Client accounts and conducts periodic reviews of the performance of the SCP Funds and their underlying investments, including Underlying Portfolio Funds.

Stamos Capital considers a broad macroeconomic perspective for all Clients and conducts ongoing market research. The Chief Investment Officer meets with key members of the investment team (Managing Director level and above), individually or collectively, at regular intervals, generally no less than weekly, to discuss ideas across asset classes and to discuss market research, economic news, fund performance, investment themes, risk management, and Client needs.

In an effort to bring in outside opinions and avoid becoming insular in the Firm's viewpoints, the Firm's senior leadership consults with outside experts from time to time with differing economic and industry perspectives to offer additional analysis of events in a given economic and market environment.

Client Accounts

Currently, the Chief Investment Officer and/or other Partners are responsible for the periodic review of Client accounts in relation to each Client's stated objectives. The appropriate frequency of each Client account review is based upon a number of factors, including the investment and specific financial needs of the Client; the complexity of the holdings; and the impact of market activity on a Client account.

Fund Reviews

Stamos Capital conducts periodic performance reviews of Underlying Managers and Underlying Portfolio Funds. Review of performance will differ in frequency and scope at the discretion of Stamos Capital. Factors triggering a review of an Underlying Manager or Underlying Portfolio Fund might include excessive returns/losses in absolute terms, or relative to the Manager's or Fund's peers or benchmarks, and concerns around risks. The reviews are often supplemented by portfolio monitoring/exposure reports provided by the Underlying Managers.

The portfolio monitoring reports typically provide Clients' long and short gross exposure by strategy, asset type, industry, geography and other statistics relevant to the strategy, such as performing versus non-performing investments. Select members of the investment team monitor this exposure data, generally on a monthly basis. The Firm utilizes reports and periodic meetings

to evaluate an Underlying Manager's core risks in the portfolio and corresponding hedges, if any, as well as to identify significant concerns or style drift.

Reviews for Other Clients

Typically, Stamos Capital has account review meetings with Other Clients on a quarterly basis, or more or less frequently as determined by the Other Client. Similar to the SCP Funds, the research process to develop investment ideas is an ongoing activity; however, certain aspects of reviewing the investor's portfolio relies on information provided to the Firm by the investor, which influences the timing of a portfolio review.

B. FACTORS PROMPTING REVIEW OF CLIENT ACCOUNTS OTHER THAN A PERIODIC REVIEW

Stamos Capital will generally undertake a review of a Client account when the Firm identifies a material change in an Underlying Manager or Underlying Portfolio Fund of the Client, such as a material change in management, investment strategy, operations, a change in auditor or administrator, an unusual deviation in performance, or revelation of any regulatory action or the initiation of a regulatory investigation of which Stamos Capital becomes aware.

C. CONTENT AND FREQUENCY OF REGULAR ACCOUNT REPORTS TO CLIENTS

Stamos Capital delivers regular written reports to investors in the SCP Funds generally consisting of: (i) monthly or quarterly capital account statements, which include the current value of an investor's capital accounts in the SCP Funds, account activity since the last report, unaudited performance information, and applicable management and incentive fees; (ii) monthly performance estimates of certain SCP Funds, which include details regarding estimated month-to-date, quarter-to-date and year-to-date performance of the SCP Funds (net of fees and expenses), historical returns, and a monthly market review, which includes a summary of the month-to-date, quarter-to-date and year-to-date performance of several market indices; (iii) quarterly letters to investors in certain SCP private capital funds, which include quarter-to-date and year-to-date portfolio performance figures, historical returns, asset class allocation and general market commentaries, as well as an economic outlook summary; and (iv) on an annual basis, audited financial statements of an investor's relevant SCP Funds.

Stamos Capital periodically delivers customized reports to investors and Other Clients with regard to their specific holdings in the SCP Funds. Additionally, the Firm provides a review of account performance to Other Clients based on Other Client reporting need. For Other Clients' investments that are not in SCP Funds, the custodian or another service provider of the Other Client may provide reports of such assets directly to the Other Client and to the Firm.

14. Client Referrals and Other Compensation

A. ECONOMIC BENEFITS FOR PROVIDING SERVICES TO CLIENTS

During the ordinary course of business, Stamos Capital or its employees occasionally receive gifts from service providers. To address the potential conflicts of interest where receipt of a gift could influence decision-making, the Firm's Code of Ethics provides that gifts from service providers will either be returned or donated to a charity, with the exception that gifts of food and beverage items may be consumed on the property.

B. COMPENSATION TO NON-SUPERVISED PERSONS FOR CLIENT REFERRALS

Stamos Capital has entered into arrangements to compensate third parties for Client or investor referrals. The amount of compensation typically will consist of a portion of the fees the Firm earns from the referred investor. Any such payments will be borne by the Firm. Placement agent arrangements that the Firm enters into will be in accordance with the rules promulgated under the Advisers Act.

15. Custody

Stamos Capital is deemed to have custody of the SCP Funds' assets by virtue of the fact that Stamos Capital and affiliates of the Firm serve as the general partner or manager of the SCP Funds. Accordingly, Stamos Capital and its affiliates comply with the custody requirements applicable to registered investment advisers pursuant to Advisers Act Rule 206(4)-2 (the "Custody Rule"). All of the Funds' assets, except for certain uncertificated securities purchased in private transactions (as further described below), are held with one or more "qualified custodians" as defined in the Custody Rule (i.e., banks or broker-dealers) that are unaffiliated with Stamos Capital.

For the SCP Funds, the qualified custodians and the Underlying Portfolio Funds provide statements in the name of the SCP Funds to the Firm. SCP Fund investors receive a statement of their capital balance prepared by the SCP Funds' administrator. These statements are provided on a monthly or quarterly basis, depending on the relevant SCP Fund, and reflect the value of the investor's interest in such fund. SCP Fund investors also receive on an annual basis an audited financial statement of the SCP Fund in accordance with the Custody Rule.

Other Client investors receive statements from the custodians for those assets that are not invested in the SCP Funds. Other Client investors should compare any statement or report provided by Stamos Capital regarding portfolio holdings with the statements of the custodians to ensure there are no discrepancies.

With respect to the portion of Stamos Capital's investment program that involves investments in certain private companies, Stamos Capital generally will be exempt from the requirement that securities be maintained with a "qualified custodian" when such securities are (i) acquired from

the issuer in a transaction or chain of transactions not involving any public offering; (ii) uncertificated, to the extent ownership thereof is recorded only on the books of the issuer or its transfer agent in the name of the recipient; and (iii) transferable only with prior consent of the issuer or holders of the outstanding securities of the issuer.

16. Investment Discretion

Investment Discretion: SCP Funds

Stamos Capital has discretionary authority to manage the portfolios of the SCP Funds. SCP Fund investors do not have the ability to limit this authority, although through the use of Side Letters, an investor may negotiate a restriction that further defines the investment program for the SCP Fund.

Prospective investors in the SCP Funds must execute a subscription agreement for each SCP Fund in which they invest, and make various representations in their subscription materials regarding their sophistication and ability to assess and bear the risks of investment in the SCP Fund. Prospective investors are encouraged to carefully review all subscription documents and determine whether the proposed investment is consistent with their investment goals and tolerance for risk.

Investment Discretion: Other Clients

By mutual agreement with Other Clients, Stamos Capital may be granted power of attorney and discretionary authority to act on behalf of the Other Clients. The Other Client investors have the ability to grant and limit such authority subject to the terms and provisions of the Other Client's investment advisory agreement.

17. Voting Client Securities

A. POLICIES AND PROCEDURES RELATING TO VOTING CLIENT SECURITIES

Stamos Capital, as a fiduciary and an investment adviser with certain proxy voting authority, is subject to Investment Advisers Act Rule 206(4)-6 (the "Proxy Voting Rule"). The Firm monitors corporate events and votes proxies. To meet its obligations under the Proxy Voting Rule, the Firm has adopted a written Proxy Voting policy and procedures to adhere to its fiduciary duty to cast votes in the best interest of Clients and to not subordinate Client interests to its own.

For ballot measures that would be considered routine matters, Stamos Capital generally votes with management's recommendation unless the Firm determines a vote with management not to be in the best interest of the SCP Fund. The Firm evaluates non-routine matters on the merits of each proposal, and in certain instances, the Firm may vote against management's recommendation where the Firm believes such a vote is in the Client's best interests.

Any potential conflicts of interest will be addressed on a case-by-case basis depending upon the nature of the conflict. Possible actions Stamos Capital may take include delegating the voting decision to an independent third party, the organization of a committee responsible for the voting decision, or obtaining the consent of the SCP Fund investors to vote a particular way. In all cases, the Firm will seek to vote in the best interests of the SCP Fund.

Information about a proxy vote on behalf of an SCP Fund may be obtained by SCP Fund investors upon their request to Stamos Capital. (Other Clients may obtain a copy of the Firm's proxy voting policies and procedures upon request.)

B. NO AUTHORITY TO VOTE CLIENT SECURITIES AND CLIENT RECEIPT OF PROXIES

Generally, Other Clients retain proxy voting authority for those assets not invested in the SCP Funds. If requested by an Other Client, Stamos Capital will advise on how to vote a particular proposal, but will not have responsibility for casting the vote.

18. Financial Information

A. BALANCE SHEET

Pursuant to SEC instructions, Stamos Capital is not required to include its balance sheet as part of this Brochure.

B. FINANCIAL CONDITIONS LIKELY TO IMPAIR ABILITY TO MEET CONTRACTUAL COMMITMENTS TO CLIENTS

Stamos Capital is not subject to any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients.

C. BANKRUPTCY FILINGS

Stamos Capital has not been the subject of a bankruptcy petition at any time during the past ten years.