

STERNE AGEE ASSET MANAGEMENT, INC.
FORM ADV – PART 2A

Sterne Agee Asset Management, Inc.

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This brochure describes the investment advisory services provided by Sterne Agee Asset Management, Inc. If you have any questions about the contents of this brochure, please contact us at 1.800.240.1438. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Investment adviser registration does not imply a certain level of skill or training.

Additional information about Sterne Agee Asset Management, Inc. is available on the SEC’s website at www.adviserinfo.sec.gov.

December 30, 2011

Item 2 – Material Changes

This section is currently not applicable. This brochure (“Brochure”) is dated December 30, 2011.

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Item 4 – Advisory Business

Sterne Agee Asset Management, Inc.

This Brochure relates to Sterne Agee Asset Management, Inc. (“SAAM”).

SAAM is a wholly owned subsidiary of Sterne Agee Group, Inc. (“SAGI”), a privately held financial holding company. Other affiliates of SAAM include, but are not limited to, Sterne, Agee & Leach, Inc. (“SALI”) and Sterne Agee Financial Services, Inc. (“SAFS”), each a registered broker-dealer, Sterne Agee Investment Advisors, Inc. (“SAIA”), a registered investment advisor, and The Trust Company of Sterne Agee, Inc. (“The Trust Company”), an Alabama-chartered non-depository trust company.

SAAM is registered as an investment adviser with the Securities and Exchange Commission and has been providing financial services to investors since 1988. SAAM’s advisory services are offered through a variety of arrangements, depending on the client and the strategy. These include non-wrap separately managed accounts. Investment advice to clients is provided on a discretionary basis. SAAM also provides management, operational, and administrative services to Sterne Agee Asia Fund, LP (the “Asia Fund”).

In this Brochure, SAGI, SAAM, SALI, SAFS, SAIA, The Trust Company, and their respective affiliates, directors, partners, trustees, managers, members, officers and employees are referred to collectively as “Sterne Agee.” The separately managed accounts that are sponsored, managed and/or advised by SAAM are referred to in this Brochure as “Advisory Accounts.”

Investment Restrictions

Clients may impose reasonable restrictions on the management of their separate accounts, including by restricting particular securities or types of investments, provided that SAAM accepts such restrictions. Any such restrictions will be reflected in the investment guidelines or other documentation applicable to the Advisory Account.

Absent specific instructions to the contrary, certain types of account limitations requested by clients, for example prohibiting investments in particular industries or socially responsible categories, may be defined or identified by reference to information provided by a third-party service provider selected by SAAM. SAAM will apply such restrictions based on SAAM’s internal policies and the policies and methodologies of the service provider. The methodology used by SAAM or these service providers to analyze companies may change without notice to clients.

Advisory Services

SAAM provides investment advisory services to taxable and tax-exempt clients. SAAM's Advisory Accounts are generally managed on a fully discretionary basis, according to each client's investment objectives, risk tolerance level and investment restrictions. SAAM offers the following investment advisory programs and services:

- Discretionary equity and/or fixed income investment advisory services for institutional, state or municipal government entities, and certain individual clients.
- Discretionary investment advisory services to The Trust Company.
- Management, operational and administrative services to the Asia Fund. SAAM, as general partner of the Asia Fund, appointed SeaBridge Investment Advisors, L.L.C. ("SeaBridge"), an unaffiliated investment adviser registered with the SEC under the Advisers Act, to supervise and manage the Asia Fund's investment portfolio in accordance with written investment objectives, policies and restrictions as described in the Asia Fund's confidential private offering memorandum and limited partnership agreement.

Assets Under Management

As of November 30, 2011, SAAM had advisory assets under management of \$416,600,000, all of which was managed on a discretionary basis.

Item 5 – Fees and Compensation

Separately Managed Accounts

Clients generally pay advisory fees for separate account management based on a percentage of assets in their Advisory Account(s). SAAM's actual fees, minimum fees and minimum account sizes may be negotiated, and a client may pay more or less than the fees set forth below or than similar clients depending on the particular circumstances of the client, the size and scope of the overall client relationship, additional or differing levels of servicing or as otherwise agreed with specific clients. Servicing arrangements such as reporting may also vary among clients. SAAM may, in its discretion, offer certain clients lower fees, waive minimums on fees or

provide lowest available fee arrangements. Clients that negotiate fees with differing breakpoints, including flat fees, may end up paying a higher fee than as set forth in the standard fee schedule set forth below as a result of fluctuations in the amount of the client's assets under management and account performance.

Specific Programs

SAAM offers a variety of discretionary investment advisory services to institutional, high net worth, and retail clients. As is common in the investment management industry, SAAM's different investment advisory services are subject to a variety of different fee structures. Listed below are the applicable fee schedules for the various programs.

Equity/Core Fixed Income/ Core Plus Fee Schedule:

Equity Fee	Amount of Assets	Core Fixed Income Fee	Amount of Assets	Core Plus Fee	Amount of Assets
1.50%	First \$500,000	0.70%	First \$10,000,000	1.00%	First \$10,000,000
1.25%	Next \$1,000,000	0.50%	Next \$20,000,000	0.75%	Next \$20,000,000
1.00%	Next \$1,000,000	0.35%	Next \$30,000,000	0.50%	Next \$30,000,000
0.85%	Next \$2,500,000	0.24%	Next \$50,000,000	0.35%	Next \$50,000,000
Negotiable	Over \$5,000,000	Negotiable	Over \$100,000,000	Negotiable	Over \$100,000,000

Sterne Agee Asia Fund:

Quarterly Management Fee payable to SAAM: (based upon each limited partner's capital account)	Annual rate of 1.25% of each limited partner's capital account (paid quarterly in advance)
Quarterly Investment Advisory Fee payable to SeaBridge: (based upon each limited partner's capital account)	Annual rate of .85% of each limited partner's capital account (paid quarterly in advance)

Account Opening Minimums

Minimum levels of account assets have been established based upon the asset classes held in Advisory Accounts. The following asset size minimums exist to open an Advisory Account:

Asset Class	Account Minimum
Equity	\$500,000
Fixed Income	\$10,000,000
Limited Partnership Interests/ Sterne Agee Asia Fund, LP	\$250,000

Exceptions to the foregoing asset size minimums may be made in certain circumstances, such as when related accounts are grouped together to meet the minimum asset size requirement or to compute fees. Also, as the general partner of the Asia Fund, SAAM has the sole discretion to waive the account minimums for employees, relatives of employees, affiliates, relatives of affiliates and certain other investors.

Calculation and Deduction of Advisory Fees

Fees for Advisory Accounts are generally charged in arrears, although certain Advisory Accounts may be charged in advance. Fees for investment advisory services are computed based on the total market value of assets in an Advisory Account (including accrued interest) as of the valuation date. With respect to accounts charged in arrears, the valuation date is the close of business on the last business day of each calendar quarter, and the initial investment advisory fee will be prorated to cover the period from the date the account is opened through the end of the calendar quarter in which the account is opened. With respect to accounts charged in advance, the initial valuation date is the date the account is opened, and the initial investment advisory fee will be prorated to cover the period from the date the account is opened through the end of the calendar quarter in which the account is opened. Thereafter, the valuation date will be the close of business on the last business day of each calendar quarter.

Either party, without the payment of a penalty, may terminate an investment advisory agreement with appropriate written notice. A pro rata refund of fees will be paid where investment advisory fees are collected in advance. Where investment advisory fees are collected in arrears, the fee will be prorated and collected for the period during which services were provided.

Fees are deducted from Advisory Accounts as authorized in the investment advisory agreements governing the Advisory Accounts, unless otherwise instructed by the client.

Other Fees and Expenses

In addition to the advisory fees described above, clients will be subject to other fees and expenses in connection with SAAM's advisory services.

Transaction Charges

Fees paid to SAAM for advisory services are in addition to any fees the client will pay to any mutual funds in which the client's assets are invested. Such fees, including 12b-1 fees, are described in the respective prospectuses for the underlying mutual funds. A portion of these mutual fund fees may be paid to SAAM and/or its respective affiliates. These payments are in consideration of various services that SAAM and/or its respective affiliates provide. These services may include: 1) shareholder record keeping and account services, 2) providing information to clients regarding the funds, and 3) recommending shares of the funds for investment. SAAM and/or its respective affiliates may also provide other services not listed here which are beneficial to mutual fund companies. Payment of these fees to SAAM and/or its respective affiliates is usual and customary compensation. It is included in the expense ratios of the mutual funds.

To the extent that transactions are affected through Sterne Agee, Sterne Agee, like any other broker-dealer executing a transaction, may have commercial interests in transactions that are adverse to Advisory Accounts, such as obtaining favorable commission rates, mark-ups and mark-downs, other commission equivalents and lending rates and arrangements. As described in Item 11, Code of Ethics, Participation or Interest in Client Transactions and Personal Trading, personnel of Sterne Agee ("Personnel") may receive referral or brokerage compensation in connection with transactions effected for Advisory Accounts, and Sterne Agee and Personnel have financial interests in clients instructing SAAM to direct all transactions to Sterne Agee. In such circumstances, no accounting to Advisory Accounts will be required, Sterne Agee will be entitled to retain all such fees and other amounts and no fees or other compensation will be reduced thereby. Please refer to Item 12, Brokerage Practice, for more information regarding brokerage and other transaction costs that clients may have to pay in connection with SAAM's advisory services.

Compensation for the Sale of Securities

Generally, except as described below, SAAM Personnel do not receive formulaic compensation based on the sale of securities or other investment products. Compensation is based on a variety of factors, including, but not limited to: an individual's contribution to net revenues for the past year which in part are derived from advisory fees, and for certain Advisory Accounts, individual performance; contributions to overall performance; the performance of SAAM and Sterne Agee; and depending on the individual's role, delivery of investment performance. Certain SAAM Personnel involved in the marketing, promotion and/or sale of investment products are eligible to receive formulaic compensation that is related to the sale of such products. These supervised persons are generally acting in a broker-dealer capacity. Certain of SAAM's affiliates may receive compensation based on the sale of securities or other investment products held directly or indirectly by SAAM. See Item 11, Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

Item 6 – Performance Based Fees

SAAM does not charge performance-based fees.

Item 7 – Types of Clients

Types of Clients

The advisory services offered in this Brochure are available to individuals, corporations, institutions, pension or profit sharing plans, employee benefit plans, trusts, estates, charitable organizations, other business and government entities, educational institutions, and banks or thrift institutions. Additionally, SAAM may serve as general partner and/or provide investment advice to certain private investment funds.

Account Requirements

To open or maintain an Advisory Account with SAAM, clients are required to sign an investment advisory agreement that, among other things, details the nature of the investment advisory authority given to SAAM.

Please refer to Appendix I for other requirements, such as minimum account size, for opening or maintaining an account.

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

Methods of Analysis and Investment Strategies

Clients should refer to each program and portfolio description in Appendix I for a detailed discussion of the investment strategies and methods of analysis used in connection with such portfolio or program.

Advisory Account clients should understand that all investment strategies and the investments made pursuant to such strategies involve risk of loss, including the potential loss of the entire investment in the Advisory Accounts, which clients should be prepared to bear. The investment performance and the success of any investment strategy or particular investment can never be predicted or guaranteed, and the value of a client's investments will fluctuate due to market conditions and other factors. The investment decisions made and the actions taken for Advisory Accounts will be subject to various market, liquidity, currency, economic, political and other risks, and investments may lose value.

Material Risks for Significant Investment Strategies and Particular Types of Securities

Following is a summary of the material risks for each of SAAM's significant investment strategies, security types and the investment techniques employed by the SAAM investment team in their significant investment strategies.

The information contained in this Brochure cannot disclose every potential risk associated with an investment strategy, or all of the risks applicable to a particular Advisory Account. Rather, it is a general description of the nature and risks of the strategies and securities and other instruments that may be included in a client's Advisory Account. Clients should be satisfied that such financial instruments are suitable for their Advisory Account in light of their circumstances, their investment objectives and their financial situation.

General Risks

All of SAAM's strategies may be subject to the following general portfolio risks:

- **Concentration Risk**—The risk that if an Advisory Account concentrates its investments in issuers within the same country, state, industry or economic sector, an adverse economic, business or political development may affect the value of the Advisory Account's investments more than if its investments were not so concentrated. Also, to the extent an Advisory Account invests a larger percentage of its assets in a relatively small number of issuers or concentrates its assets in investments in the same asset

class, it may be subject to greater risks than a more diversified account. That is, a change in the value of any single investment held by the Advisory Account may affect the overall value of the account more than it would affect an account that holds more investments.

- **Counterparty Risk**—An Advisory Account may be exposed to the credit risk of counterparties with which, or the brokers, dealers, custodians and exchanges through which, it deals in connection with the investment of its assets, whether engaged in exchange-traded or off-exchange transactions.
- **Emerging Markets and Growth Markets Risk**—In addition to the risks described in “—Non-U.S. Securities Risk” below, investing in the securities of governments in emerging markets involves certain considerations not usually associated with investing in securities of developed market companies or countries including, without limitation, political and economic considerations, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments, the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility, and certain government policies that may restrict an Advisory Account’s investment opportunities. Further, the economies, industries, securities and currency markets in emerging markets or growth markets may be adversely affected by protectionist trade policies, a slow U.S. economy, regional and global conflicts and terrorism and war, including actions that are contrary to the interests of the U.S.
- **Frequent Trading and Portfolio Turnover Rate Risk**—The turnover rate within the Advisory Account may be significant. Frequent trades typically result in higher transactions costs, including potentially substantial brokerage commissions, fees and other transaction costs. In addition, frequent trading is likely to result in short-term capital gains tax treatment. As a result, high turnover and frequent trading in an Advisory Account could have an adverse effect on the performance of the Advisory Account.
- **Investment Style Risk**—Different investment styles tend to shift in and out of favor depending upon market and economic conditions and investor sentiment. Advisory Accounts may outperform or underperform other accounts that invest in similar asset classes but employ different investment styles. SAAM may modify or adjust its investment strategies from time to time.

- **Leverage Risk**—If an Advisory Account utilizes leverage, the Advisory Account will be subject to heightened risk. Leverage may take the form of trading on margin. Any leverage may result in the Advisory Account’s market value exposure being in excess of the net asset value of the Advisory Account. An Advisory Account may not be able to liquidate assets quickly enough to repay its borrowings, which will increase the losses incurred by the Advisory Account.
- **Liquidity Risk**—The risk that an Advisory Account may make investments that may be illiquid or that are not publicly traded and/or for which no market is currently available or that may become less liquid in response to market developments or adverse investor perceptions. Additionally, an Advisory Account may invest in private funds and generally will not be able to redeem their capital account balances or withdraw their interests, and there will be no active secondary market for the interests. Moreover, investors may not, directly or indirectly, sell, assign, encumber, mortgage, transfer, or otherwise dispose of, voluntarily or involuntarily, any portion of their interests without the private fund’s consent, which may be granted or withheld in its sole discretion.
- **Management Risk**—The risk that a strategy used by SAAM may fail to produce the intended results for an Advisory Account.
- **Market Risk**—The value of the instruments in which an Advisory Account invests may go up or down in response to the prospects of individual companies, particular industry sectors or governments and/or general economic conditions.
- **Non-U.S. Securities Risk**—Non-U.S. securities may be subject to risk of loss because of less government regulation, less public information and less economic, political and social stability in the countries of domicile of the issuers of the securities and/or the jurisdictions in which these securities are traded. Loss may also result from the imposition of exchange controls, confiscations and other government restrictions, or from problems in registration, settlement or custody. In addition, an Advisory Account will be subject to the risk that an issuer of the non-U.S. sovereign debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay the principal or interest when due. These risks might be heightened if the Advisory Account invests in emerging markets or growth markets.
- **Volatility Risk**—The prices of an Advisory Account’s investments can be highly volatile. Price movements of assets are influenced by, among other things, interest rates, changing supply and demand relationships, programs and policies of governments, and

national and international political and economic events and policies. Advisory Accounts may be adversely affected by deteriorations in the financial markets and economic conditions throughout the world, some of which may magnify the risks described herein and have other adverse effects. Deteriorations in economic and financial market conditions, and uncertainty regarding economic markets generally, could result in declines in the market values of potential investments or declines in market values. Such declines could lead to losses and diminished investment opportunities for Advisory Accounts, could prevent Advisory Accounts from successfully meeting their investment objectives or could require Advisory Accounts to dispose of investments at a loss while such unfavorable market conditions prevail. While such market conditions persist, Advisory Accounts will also be subject to heightened risks associated with the potential failure of brokers, counterparties and exchanges, as well as increased systemic risks associated with the potential failure of one or more systemically important institutions.

All of SAAM's strategies may be subject to the following other general risks:

- **Dependence on Key Personnel**—Advisory Accounts may rely on certain key personnel of Sterne Agee. The departure of any of such key personnel or their inability to fulfill certain duties may adversely affect the ability of SAAM to effectively implement the investment programs of the Advisory Accounts.
- **Legal, Tax and Regulatory Risks**—SAAM and certain of its Advisory Accounts are subject to legal, tax and regulatory oversight. There have been recent legislative, tax and regulatory changes and proposed changes that may apply to the activities of SAAM and managers to which SAAM allocates client assets that may require material adjustments to the business and operations of, or have other material adverse effects on, Advisory Accounts. Any rules, regulations and other changes, and any uncertainty in respect of their implementation, may result in increased costs, reduced profit margins and reduced investment and trading opportunities, all of which may negatively impact the performance of Advisory Accounts.
- **Operational Risk**—The risk that an Advisory Account may suffer a loss arising from shortcomings or failures in internal processes, people or systems, or from external events. Operational risk can arise from many factors ranging from routine processing errors to potentially costly incidents related to, for example, major systems failures.

Item 9 – Disciplinary Information

This Item requests information relating to SAAM. There are no reportable material legal or disciplinary events related to SAAM. In the ordinary course of their business, SAAM and its employees may in the future be subject to formal and informal regulatory inquiries, subpoenas, investigations, and legal or regulatory proceedings, involving the SEC, other regulatory authorities, or private parties. In the past ten years, SAAM has not had an order or sanction issued against it by a regulatory body. Additional information about SAAM's investment advisory affiliates is contained in Part 1 of SAAM's Form ADV.

For information relating to other Sterne Agee affiliates, please visit www.sterneagee.com and refer to the public filings of Sterne Agee Group, Inc.

Item 10 – Other Financial Industry Activities or Affiliations

Broker-Dealer Registration

Certain of SAAM's management persons may be registered representatives of SALI or SAFS, each a registered broker-dealer, if necessary or appropriate to perform their responsibilities.

Commodity Pool Operator, Commodity Trading Adviser, Futures Commission Merchant Registration

SALI is registered with the Commodity Futures Trading Commission ("CFTC") as a commodity pool operator ("CPO"). In addition, certain of SALI's management persons may be registered as associated persons to the extent necessary or appropriate to perform their responsibilities.

Other Material Relationships with Affiliated Entities

SAAM may use, suggest or recommend its own services or those of affiliated Sterne Agee entities. The particular services involved will depend on the types of services offered by the affiliate. The arrangements may involve sharing or joint compensation, or separate compensation, subject to the requirements of applicable law. Particular relationships may include, but are not limited to, those discussed below. Sterne Agee's affiliates will retain any compensation when providing investment services to, or in connection with investment activities of, Advisory Accounts. Compensation may take the form of commissions, markups, markdowns, service fees or other commission equivalents. Advisory Accounts will not be entitled to any such compensation retained by Sterne Agee's affiliates.

Broker-Dealer

SAAM may use, or suggest or recommend that advisory clients use, the securities, custody or other services offered by SAAM's broker-dealer and other affiliates. These may include (but are not limited to) SALI and SAFS. Clients may pay a transactional fee for broker-dealer or other services performed by SAAM's affiliates in addition to the advisory fee paid to SAAM.

SAAM may receive record keeping, administrative and support services from its broker-dealer affiliates. SAAM may also obtain research ideas, analyses, reports and other services from broker-dealer affiliates.

Subject to client consent, SAAM may enter into principal transactions for clients with its affiliates. SAAM's affiliates will earn mark-ups, mark-downs, spreads, financing fees and other charges. Clients will pay these charges in addition to the advisory fee paid to SAAM. For additional information about principal trading, please see Item 11, Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

Pooled Investment Vehicle

SAAM serves as the general partner of the Asia Fund, a Delaware limited partnership designed for sophisticated investors. As the general partner, SAAM provides the Asia Fund with management, operational and administrative services in exchange for a management fee. SAAM engaged SeaBridge to provide the Asia Fund with investment advice and direct the investments of the Asia Fund in accordance with the Asia Fund's investment objectives, policies and restrictions.

Limited partnership interests in the Asia Fund are offered to certain qualified investors pursuant to Regulation D of the Securities Act of 1933 (the "Securities Act"). SAAM currently utilizes its affiliated broker-dealers, SALI and SAFS, as sales agents for the Asia Fund. SALI, SAFS and any additional persons engaged by SAAM to assist in the offer and sale of limited partnership interests in the Asia Fund will be paid a fee by SAAM with regard to the limited partners who purchase limited partnership interests through them. SALI, SAFS and such other persons may also receive an upfront sales commission from the limited partners who purchase limited partnerships interests through them.

The assets of the Asia Fund are custodied with Charles Schwab & Co., Inc., the Asia Fund's prime broker and custodian. SAAM, as general partner of the Asia Fund, reserves the right, at its sole discretion, to change or add prime brokers and/or custodians without further notice to

the limited partners of the Asia Fund. SeaBridge is authorized to determine the broker-dealers to be used for securities transactions for the Asia Fund.

Other Investment Advisers

SAAM has one SEC registered investment advisory affiliate, SAIA.

SAAM may receive record keeping, administrative and support services from SAIA, including trading support.

SAAM may, in its discretion, accept responsibility for all or a portion of advisory or other functions (including placing trades on behalf of Advisory Accounts) for any affiliate that is registered with the SEC as an investment adviser. Clients that want more information about any affiliate should contact SAAM.

In addition, SAAM may participate in sub-advisory, co-advisory or other joint projects related to pooled investment vehicles with institutions not a part of Sterne Agee.

Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Adviser

SAAM has an affiliate, SALI, registered with the CFTC as a CPO.

Bank or Thrift Institution

The Trust Company, and its affiliates, may provide custody services to SAAM's clients at the request of the clients and may receive compensation directly from SAAM's clients or from SAAM.

Sponsor or Syndicator of Limited Partnerships

Sterne Agee and its affiliates may create and/or distribute unregistered privately-placed vehicles and may receive fees.

Insurance Company or Agency

Personnel may be licensed, and function, as agents for various insurance companies. As such, these Personnel will receive compensation for conducting insurance product transactions on behalf of Accounts. The commissions flow through SALI, as with other financial products. SALI

or an affiliated agency (as required by state insurance statutes and regulations) is licensed where required in each state as an agency producer.

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

Code of Ethics and Personal Trading

SAAM has adopted a Code of Ethics (the “Code”) under Rule 204A-1 of the Advisers Act designed to provide that SAAM Personnel, and certain additional Personnel who support SAAM, comply with applicable federal securities laws and place the interests of clients first in conducting personal securities transactions. The Code imposes certain restrictions on securities transactions in the personal accounts of covered persons to help avoid conflicts of interest. Subject to the limitations of the Code, covered persons may buy and sell securities or other investments for their personal accounts, and may also take positions that are the same as, different from, or made at different times than, positions taken for Advisory Accounts. SAAM will provide a copy of the Code to clients or prospective clients upon request.

Additionally, Personnel, including SAAM Personnel, are subject to firmwide policies and procedures regarding confidential and proprietary information, information barriers, private investments, outside business activities and personal trading.

Participation or Interest in Client Transactions

SAAM selects investments for its clients based solely on investment considerations, including, but not limited to, whether the investments are suitable for the client and meet the client’s investment objectives and guidelines. In the course of providing advisory services, SAAM may simultaneously recommend the purchase or sale of a particular security for one account while recommending the sale or purchase of the same security for another account if such recommendations are consistent with each client’s investment objectives and guidelines. On occasion, SAAM may affect securities transactions for its clients which may not be consistent with or may be counter to transactions or investment recommendations in the then current investment programs and practices of SAAM and its respective affiliates.

SAAM's affiliated broker-dealers do not place trades for their respective clients in securities for which they act as principal, and nor do they place agency cross transactions.

SAAM may recommend the purchase or sale of securities in which it or its affiliates, directly or indirectly, have a financial interest. For example, SALI maintains long and short positions in certain securities in the ordinary course of its operations as a broker-dealer. At any given time, SALI may have a long or short position in a security SAAM may recommend to its clients. SALI and/or its respective affiliates may receive compensation for non-advisory services that they may provide relating to these securities in addition to the advisory and other fees SALI and/or its respective affiliates may receive.

SAAM permits its advisory representative to purchase and sell securities which they may also recommend to clients. Such personal securities transactions may raise potential conflicts of interest when employees trade a security that is owned by a client or considered for purchase or sale by a client.

Item 12 – Brokerage Practices

SAAM maintains an Approved Broker List from which it selects broker-dealers to execute brokerage transactions. See “Approved Broker List” below. When selecting a broker-dealer from the Approved Broker List, it is SAAM’s policy, consistent with a client’s investment considerations, to seek the most favorable net results under the circumstances based on the information available at the time. In selecting a broker to execute a transaction for a client, SAAM may consider a variety of factors, including, but not limited to, the following: price, commission, size of the order, difficulty of execution, degree of skill required by the broker-dealer, trading and execution, clearing and settlement capabilities, financial stability, reputation, past history of prompt and reliable execution of client trades, operational efficiency with which transactions are effected, access to markets, access to capital to accommodate trades, ability to maintain confidentiality, market knowledge, willingness and ability to make a market in a particular security, brokerage and research services provided or the ability to accommodate third party research arrangements, overall responsiveness to SAAM’s needs and willingness to work with SAAM, and depth of services provided (including research and coverage). In selecting broker-dealers, SAAM does not adhere to any prescribed formulas but, rather, makes a subjective determination after weighing a combination of the foregoing factors. The overriding objective in the selection of broker-dealers is their ability to secure the best possible execution of orders taking into account all of the foregoing factors. “Best execution” is not synonymous with the lowest brokerage commission. Consequently, in a particular transaction a client may pay a brokerage commission in excess of that which another broker-dealer might have charged for executing the same transaction.

Approved Broker List

SAAM maintains an “Approved Broker List” to facilitate the orderly and consistent use of suitable broker-dealers for client transactions. The Approved Broker List is a list of broker-dealers that SAAM has approved for use as executing brokers for client securities transactions. The Approved Broker List is an integral part of SAAM’s process for seeking best execution for its client transactions. The broker-dealers on SAAM’s Approved Broker List are approved by SAAM’s Best Execution Committee and are reviewed periodically for, among other things, overall performance, disciplinary history and credit ratings.

Client Discretion

In certain relationships, a client may wish to retain discretion to select executing broker-dealers and approve commission rates for with respect to all or a portion of the transactions for the Advisory Account. When a client instructs SAAM to direct all or a portion of the securities transactions for its account to a designated broker-dealer, the client has made a decision to retain a degree of control over broker-dealer selection and services. SAAM treats the direction as a decision by the client to retain, to the extent of the direction, the discretion that SAAM otherwise would be given by the client to select broker-dealers to effect transactions for the Advisory Account. In such cases, the directing client, not SAAM, has selected the broker-dealer(s) and negotiated the services or other benefits to be received. In some cases, the client may have also negotiated the commissions to be charged by the designated broker-dealer. A client that is considering a directed brokerage arrangement should consider carefully whether the designated broker-dealer’s commissions, execution, clearance and settlement capabilities, and any benefits to be provided by the broker-dealer, will be comparable to the capabilities of, and the benefits to be provided by, the broker-dealers through which SAAM would otherwise execute transactions for the Advisory Account.

Directed brokerage arrangements must be in writing and may be changed only by written notice to SAAM. In agreeing to follow a client’s directed brokerage instruction, SAAM understands and is relying on the client’s determination that (i) all services provided by the designated broker-dealer will benefit the Advisory Account; (ii) using the designated broker-dealer is in the best interest of the account taking into consideration the capabilities of the broker-dealer and the services to be provided; (iii) the brokerage direction will not conflict with any fiduciary obligations of the persons acting for the Advisory Account; and, (iv) if the account is subject to the provisions of ERISA, such direction will not cause the plan to engage in a prohibited transaction under ERISA.

Clients may authorize and direct SAAM to execute securities transactions through, and to maintain custody with, a broker-dealer affiliated with SAAM, which may receive brokerage

commissions and other usual and customary compensation for client trades. The registered representatives of broker-dealers affiliated with SAAM are expected to refer clients and assist SAAM in maintaining ongoing client relationships and marketing SAAM's advisory programs. The registered representatives may be compensated for providing client referrals and services. Because SAAM is affiliated with these broker-dealers, SAAM may have conflicting loyalties and responsibilities when directing client transactions through them.

If a client directs SAAM to use a broker-dealer other than an affiliated broker-dealer, the client should consider the following information:

- SAAM may be limited in its ability to negotiate commissions for the client;
- SAAM may be unable to negotiate volume discounts for the client;
- Disparity in commission charges may exist among clients;
- Conflicts of interest can arise from directed brokerage referrals;
- Directed brokerage referral trades will be executed after non-brokerage referral trades; and

The client will not be able to obtain any of the benefits of block trades that SAAM may enter into for clients who have not directed SAAM to use a specific broker-dealer.

Soft Dollars- Research Products and Services

SAAM may place securities transactions on behalf of its clients through broker-dealers that provide SAAM with investment research services. Such services provide assistance to SAAM in the investment decision-making process (collectively, "Research Products and Services"). Research Products and Services include, but are not limited to, advice as to the value of securities, the advisability of investing in, purchasing or selling securities, financial publications, services providing information regarding the availability of securities and potential buyers or sellers of securities and furnishing analysis and reports concerning issuers, industries, securities, economic and political factors and trends, portfolio strategy, asset allocation, market analysis, portfolio structure, meetings with management representatives of issuers and other analysts. Research Products and Services also may include quotation services, exchange feeds, news feeds, quantitative analytical software and other research-oriented software, communications services related to the execution, clearing and settlement of securities transactions, electronic communications of allocation instructions to broker-dealers and post-trade matching. In recognition of the value of the Research Products and Services that are provided to SAAM by a particular broker-dealer, SAAM may, consistent with its duty to seek best execution, effect securities transactions that cause a client to pay the broker-dealer a commission in excess of

the commission another broker-dealer would have charged. With respect to these arrangements, SAAM intends to comply with the “safe harbor” provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, which permits the use of commissions or “soft dollars” to obtain “brokerage and research” services. Conduct outside of the safe harbor that is afforded by Section 28(e) is subject to applicable standards of fiduciary duty under applicable law and the Advisers Act.

Soft Dollars - Soft Dollar Credits

In exchange for the directing trades to certain broker-dealers, SAAM may generate credits (“Soft Dollar Credits”) that SAAM may use to pay for the Research Products and Services prepared or otherwise provided such broker-dealers. This may result in SAAM allocating more trades to broker-dealers that provide Research Products and Services than to broker-dealers that only effect securities transactions. Soft Dollar Credits may be used to obtain Research Products and Services that are: (i) proprietary to, and prepared by, a broker-dealer selected to effect a particular transaction; (ii) prepared or developed by an independent research provider or (iii) allocated to a pool of “credits” as part of a commission sharing arrangement.

Proprietary Research Products and Services

A limited number of broker-dealers on SAAM’s Approved Broker List provide proprietary Research Products and Services. When all other factors are generally considered equal, these broker-dealers may be selected to effect transactions primarily as a result of such Research Products and Services. For those broker-dealers only, SAAM periodically projects the amount of commission dollars that represents the fair value of the proprietary Research Products and Services SAAM expects to receive. SAAM’s traders use that amount as a minimum target for trading with these broker-dealers. SAAM will determine the value of the proprietary Research Products and Services by taking into account the cost of similar services available to the industry Third Party Research Products and Services: As noted above, SAAM may use Soft Dollar Credits to pay for Research Products and Services that are prepared or developed by independent research providers. SAAM monitors the level of payments made for third party Research Products and Services relative to the commissions paid to broker-dealers that generate the Soft Dollar Credits.

Commission Sharing Arrangements

From time to time, SAAM also may request that an executing broker-dealer allocate a portion of its commission to a pool of “credits” maintained by the introducing or executing broker-dealer. At SAAM’s direction, the introducing or executing broker-dealer, pays independent research providers (which may include other broker-dealers) for Research Products and Services (“Commission Sharing Arrangements”). Commission Sharing Arrangements may be

used to pay for both proprietary and third party Research Products and Services. Unlike other soft dollar arrangements, the introducing or executing broker-dealer does not enter into an agreement for the Research Products and Services requested by SAAM. Commission Sharing Arrangements enable SAAM to select an appropriate broker-dealer for trade execution regardless of whether the broker-dealer prepares or develops the Research Products and Services used by the investment manager. For example, an introducing broker-dealer may offer access to a network of executing broker-dealers through which an investment manager can trade. Instead of paying a broker-dealer for research by trading with the broker-dealer directly, SAAM can direct an introducing or executing broker-dealer to pay the research provider from the pool of “credits” that SAAM has accumulated. SAAM believes that because Commission Sharing Arrangements help separate the execution decision from the research decision, Commission Sharing Arrangements can assist SAAM in seeking to achieve best execution for clients.

Block Trading and Trade Allocation

SAAM may aggregate or “block” transactions for clients whose accounts are managed by the same portfolio manager. Block trades are allocated among participating accounts at the time the trade is submitted to SAAM’s trading desk or promptly thereafter in accordance with instructions from the applicable portfolio manager.

SAAM generally has two types of client accounts: fully directed brokerage accounts; and (iii) non-fully directed discretionary brokerage accounts. In many instances, both groups of accounts will effect a transaction in the same security or securities. In these instances, SAAM typically will aggregate orders by multiple accounts for the same security into a “block trade” by group (i.e. all fully directed brokerage trades to the same broker-dealer will be aggregated into a block trade and all non-fully directed brokerage accounts into another separate block trade) and will contemporaneously submit transactions for the two groups to the appropriate broker-dealers for execution. Although this practice may negatively affect the price received (particularly in less liquid securities), SAAM believes that this process ensure that all clients are treated equally, provides ease of administration, and avoids information leakage that may be detrimental client trades. In some cases, brokers in fully directed brokerage accounts may not accept electronic orders from SAAM. Transactions in such accounts will be placed after electronic orders are placed, which may result in such clients receiving less favorable prices due to, among other things, market movements.

The average price per share of each block trade will be allocated to each account that participates in the block trade. Trade related commissions will be applied on an account by account basis in accordance with the terms of a client’s advisory contract or the commissions negotiated by a client in the case of client-directed brokerage. Accordingly, different accounts

participating in a block trade may be charged different commission rates. Advisory Accounts of SAAM's employees, affiliates and associated persons may participate in block trades. Such persons will receive the same average price as any other participant in the block trade and will pay commissions and other transaction costs, if applicable, in accordance with their respective advisory contracts.

If a block order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day will be allocated among the participating accounts in a manner consistent with the initial pre-allocation. This must be done in a way that does not consistently advantage or disadvantage particular Advisory Accounts. For example, partial fills generally are allocated pro rata among participating accounts.

Error Policy

It is the policy of SAAM that the utmost care is to be taken in making and implementing investment decisions on behalf of Advisory Accounts. Whenever an error is made, it is the policy of SAAM to resolve the error in a manner that is fair and equitable to the client under the particular circumstances. SAAM is responsible for its own errors and not the errors of other persons, including third party broker-dealers and custodians. Trade errors may occur either in the investment decision-making process (e.g., when an order is not suitable or appropriate for the client because of investment restrictions, regulatory limitations, changed circumstances, inadvertent duplication or other similar reason) or in the trading process (e.g., when an order is not executed according to the portfolio manager's instructions due to a mistake of fact, processing error or other similar reason). Trade errors do not include investment decisions that are ultimately determined to be unprofitable. Misallocations (e.g., an allocation of the wrong securities or an allocation of securities to the wrong account) are not considered trade errors and will be reallocated as appropriate.

To the extent that an error occurs, it is to be corrected as soon as practicable following discovery. In the context of the items mentioned above and based on its judgment, SAAM would then determine whether to reimburse the account or use an internal error account. In addition, if a trade error is discovered pre-settlement, the transaction may be cancelled and modified.

While SAAM will attempt to correct the error promptly, correction of trade errors may be delayed in certain cases where investigation of the error is necessary or where consultation with a particular client is sought. Any resulting losses to the client require reimbursement by SAAM as soon as practicable in order to return the client to the position the client would have been in had the error not occurred. Once the client has been returned to such position, any

resulting gains from the erroneous trade will be passed on to the client to the extent not retained by the applicable broker-dealer.

In cases when an error is attributable to a broker-dealer or other third party, SAAM will take reasonable steps, short of instituting litigation or an arbitration proceeding, to recover the amount of material losses resulting from a third party trading error, although SAAM is not responsible for ensuring that such third party compensate clients in such cases. SAAM will use its best efforts to promptly notify its clients of any material losses which such third party refuses to reimburse so that the clients can decide on the appropriate action (if any) to take and to proceed with such action. In the event such action is taken, SAAM will reasonably cooperate with such clients as to any litigation or arbitration proceeding that is instituted.

SAAM will not use another client's account to correct a trade error, nor will commission or "soft" dollars be used to correct adviser trading errors.

Item 13 – Review of Accounts

General Description

Advisory Accounts are periodically reviewed by either senior members of SAAM's portfolio management team or by financial advisors. Reviews are conducted either individually or in a group, depending upon account needs and market conditions. These reviews include a review of the account's performance, investment objectives, security positions and other investment opportunities. In addition, the supervisors of Advisory Personnel monitor the performance of Advisory Accounts. Additional reviews may be undertaken at the discretion of SAAM.

Factors Triggering a Review

In addition to periodic reviews, SAAM performs reviews of separately managed accounts as it deems appropriate or as otherwise required. Additional reviews may be undertaken because of changes in market conditions, changes in security positions or changes in a client's investment objective or policies.

Client Reports

SAAM provides advisory clients who have discretionary Advisory Accounts with written reports on a quarterly basis or more frequently upon agreement between SAAM and the client. These

reports generally include, among other things, a summary of holdings including a portfolio valuation, and the change in value of the account during the reporting period.

Additionally, limited partners of the Asia Fund receive from the fund, 1) unaudited reports of the performance of the fund on a monthly basis; 2) unaudited capital account statements on a monthly basis, and 3) audited financial statements of the fund prepared by the fund's independent certified accountants after the end of each fiscal year. In addition, after the end of each fiscal year, the fund will send each limited partner a report indicating the limited partner's share of the fund's profit or loss.

Item 14 – Client Referrals and Other Compensation

SAAM and/or its respective affiliates may receive usual and customary compensation from mutual funds or their respective investment advisers. These payments are in consideration of various services that SAAM and/or its respective affiliates provide. These services may include: 1) shareholder record keeping and account services, 2) providing information to clients regarding the funds, and 3) recommending shares of the funds for investment. SAAM and/or its respective affiliates may also provide other services not listed here which are beneficial to mutual fund companies. Payment of these fees is included in the expense ratios of the mutual funds.

SAAM and SAIA have entered into written solicitation agreements with SALI and SAFS, as well as with unaffiliated broker-dealers, banks and other financial advisers. SAAM or SAIA, as applicable, pays these solicitors a percentage of the fees paid to it by clients that it determines to have become clients as a result of such solicitor's direct or indirect efforts. Referral recommendations to clients may result in more compensation to the solicitor than what the solicitor would receive if the client participates in other investments. Therefore, the solicitor may have a financial incentive to recommend SAAM's and SAIA's respective investment advisory programs over other investments. All solicitation or referral arrangements will comply with applicable laws that govern (1) the nature of the service, (2) fees to be paid, (3) disclosures to clients and prospective clients and (4) any necessary client consents.

Also, SAAM utilizes its affiliated broker-dealers, SALI and SAFS, as sales agents for the Asia Fund. SALI, SAFS and any additional persons engaged by SAAM to assist in the offer and sale of limited partnership interests in the funds will be paid a fee by SAAM with regard to the limited partners who purchase limited partnership interests through them. SALI, SAFS and such other persons may also receive an upfront sales commission from the limited partners who purchase limited

partnerships interests through them. Therefore, SALI, SAFS and such other persons may have a financial incentive to recommend the purchase of limited partnership interests in the respective funds over other investments.

Item 15 – Custody

SAAM does not hold client assets. Client funds and securities are held by a qualified custodian appointed by clients pursuant to a separate custody agreement. However, under the Advisers Act, SAAM may be “deemed” to have custody of client assets under certain circumstances, including where clients maintain assets at a bank, broker-dealer or other qualified custodian affiliated with SAAM where SAAM debits its fees directly from the Advisory Account.

Clients will receive account statements directly from their custodian and should carefully review those statements. In addition, clients are urged to compare the account statements that they receive from their qualified custodian with any that they may receive from SAAM.

Item 16 – Investment Discretion

SAAM's advisory agreements with its clients provide SAAM with the full authority to determine which securities will be bought or sold and the amount of each security to be bought or sold for each account. SAAM has the right to do this without obtaining prior client consent or consulting with the client on a transaction-by-transaction basis. These advisory agreements also generally provide SAAM with full authority to select brokers or dealers to execute transactions for the Advisory Account and to negotiate and determine any commission rates to be paid for such transactions. In all cases, such discretion is exercised in a manner consistent with seeking best execution and the stated investment objectives for the Advisory Account. SAAM also may have discretionary authority to determine the brokers used and the commissions paid. In all such relationships, SAAM will make investment decisions and direct the execution of all transactions without prior consultation with the client.

Item 17 – Voting Client Securities

Subject to any written instructions from the client to the contrary, SAAM's advisory agreements authorize SAAM to vote proxies, and execute and deliver consents, waivers and other documents regarding corporate actions, with respect to securities held in the Advisory

Account, consistent with SAAM's proxy voting policies and procedures. SAAM maintains policies and procedures for a third party service to research recommendations for voting proxies, voting and reporting of proxy voting.

In order to satisfy SAAM's fiduciary duty obligations and lessen potential conflicts of interest, SAAM engaged Broadridge Investor Communication Solutions, Inc. ("Broadridge"), an independent provider of investor communications and proxy processing services, to provide research, analysis, recommendation regarding votes, recordkeeping, address conflicts of interest and track proxy votes through Broadridge's ProxyEdge program.

In the absence of specific voting guidelines from SAAM's clients, SAAM has contracted with Broadridge to vote client proxies in accordance with proxy analysis and research provided by Glass, Lewis & Co. ("Glass Lewis"), an independent provider of proxy voting recommendations. However, if a representative of SAAM believes that a recommendation by Glass Lewis may not be in the best interest of one or more clients, the matter will be submitted to SAAM's Proxy Voting Committee for a determination as to the manner in which the proxy will be voted. The Proxy Voting Committee is comprised of one or more representatives of SAAM, as well as a representative of each of The Trust Company and SALI.

SAAM's proxy voting policies and procedures, including information as to how clients' securities were voted, are available upon written request to Sterne Agee Asset Management, Inc., 800 Shades Creek Parkway, Suite 500, Birmingham, Alabama 35209, Attention: Chief Compliance Officer.

Pursuant to the investment advisory agreement between the Asia Fund and SeaBridge, SeaBridge is responsible for the voting of any proxies forwarded by the Asia Fund or the Asia Fund's custodian, in accordance with SeaBridge's proxy voting policies and procedures. A copy of SeaBridge's proxy voting policy and procedures, including information as to how securities were voted, may be obtained upon written request to SeaBridge Investment Advisors, L.L.C., 450 Springfield Avenue, Suite 301, Summit, New Jersey 07901-2610.

Item 18 – Financial Information

This item is not applicable.