

# Part 2A of Form ADV – Disclosure Brochure

## Item 1      Cover Page

**GAM USA Inc.**

**One Rockefeller Plaza, 21st Floor  
New York, NY 10020  
(212) 407-4600  
[www.gam.com](http://www.gam.com)  
[www.gamholding.com](http://www.gamholding.com)**

**March 31, 2011**

This Brochure provides information about the qualifications and business practices of GAM USA Inc. If you have any questions about the contents of this Brochure, please contact us at (212) 407-4600. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

GAM USA Inc. is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training.

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

## **Item 2      Material Changes**

On July 28, 2010, the United States Securities and Exchange Commission adopted a new form of disclosure document that must be provided to our clients. This Brochure is a new document prepared to comply with the new rules. As a result, this Brochure is materially different in structure and requires certain new information that our previous brochure did not require.

We will send you a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year. We may provide other ongoing disclosure information about material changes more frequently as necessary.

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#### **Item 4      Advisory Business**

GAM USA provides investment management services to high net worth individuals, corporate and public pension plans, trusts, estates, charitable organizations, foundations, endowments, corporations and pooled investment vehicles. GAM USA has been in business since 1989. GAM USA is a subsidiary of GAM Holding AG, an independent asset management firm that is headquartered in Zurich, Switzerland, and whose shares are listed on the SIX Swiss Exchange.

As of December 31, 2010, GAM USA's assets under management were approximately \$1.2 billion. All the assets are managed on a discretionary basis.

GAM USA offers various investment products and services through managed account and investment fund structures using both multi-manager (allocating a client's assets among a portfolio of funds and accounts managed by other investment managers, including private funds that are not registered as investment companies under the Investment Company Act of 1940, as amended (the "Investment Company Act")), and single-manager (investing a client's assets directly in shares, bonds or other investments) strategies as described below. We do not provide financial planning services.

##### ***Institutional Accounts***

GAM USA offers institutional investors the flexibility of investing through individually customized managed accounts or dedicated private funds. Institutional investors can also invest in U.S. and non-U.S. domiciled funds managed by GAM USA or one or more of its affiliates ("GAM Funds").

Managed accounts and private funds managed by GAM USA using either multi-manager or single manager strategies may invest:

- in other GAM Funds managed by GAM's multi-manager group;
- in other pooled investment vehicles, including GAM Funds managed by affiliates of GAM USA in the GAM group of companies (the "GAM Group"), and/or funds managed by other unrelated asset managers; or
- directly in securities, commodities, currencies, derivatives and other financial instruments.

GAM International Management Limited ("GIML"), a non-U.S. based SEC-registered investment adviser that is an affiliate of GAM USA, and other affiliates in the GAM Group may serve as sub-adviser to some of these accounts. Investors meeting GAM USA's investment minimum of \$100 million (which may be waived, modified or negotiated) may qualify for separate account management.

##### ***Private Client Accounts***

GAM USA also manages private client accounts for high net worth individuals and their related entities. However, GAM USA is no longer accepting any new private client accounts, and it has delegated the investment management and primary servicing of all remaining private client accounts to affiliated entities in the GAM Group.

GAM USA is generally granted discretionary authority to manage the investment of private client accounts based upon the individual needs and objectives of each client. During normal market conditions, GAM USA generally invests client assets in portfolios of private funds, which may include GAM Funds as well as funds that are managed or sponsored by non-affiliated parties. GAM USA determines the appropriate allocation of

each private client's assets among one or more funds, which may invest in different geographic and economic markets and sectors and employ different investment strategies, based upon the recommendations provided by an internal investment committee (the "GAM Group Investment Committee") of the GAM Group.

GAM USA may invest client assets for defensive purposes in money market instruments, certificates of deposit, U.S. government securities, shares of money market mutual funds or other high quality short-term investments. Different investment analyses may be used in constructing and selecting investments for an account.

### ***Multi-Manager Mandates***

GAM's multi-manager group utilizes a disciplined investment process to (i) establish objectives for each account, (ii) identify potential investment managers ("Portfolio Managers"), (iii) perform due diligence on each Portfolio Manager's investment and operational performance, (iv) construct the portfolio and (v) monitor the portfolio.

The GAM multi-manager research team utilizes a disciplined approach to identify and analyze private fund investment managers. The research teams use quantitative and qualitative methods to identify what the GAM multi-manager team believes are the most promising Portfolio Managers for potential investment. The team analyzes each Portfolio Manager's investment approach to identify the source and repeatability of the Portfolio Manager's performance. The size of a portfolio position is generally based upon the strength of the investment case and the target return and risk objectives for the Portfolio Manager. Different risk management tools are used throughout the investment process in order to better understand the sources of risk and reward in a particular portfolio.

A separate operational risk team conducts initial operational due diligence and an ongoing assessment of the non-investment risks of the underlying Portfolio Managers and certain of their key service providers. The operational risk team has full veto power over all manager selection decisions.

### ***Single Manager Mandates***

GAM Funds and accounts that are not multi-manager products may utilize a wide range of investment strategies, depending on the specialty of the individual portfolio manager. Prospective investors should refer to the relevant offering materials for the relevant GAM Fund.

## **Item 5 Fees and Compensation**

### ***Institutional Accounts***

The fees for GAM USA's services will ordinarily be based on a percentage of the client's net assets under management. GAM USA's basic fee schedule for institutional separate accounts are negotiated and vary based upon a variety of factors, including the type of client, investment amount, the particular circumstances of the client, additional or differing levels of servicing, or as otherwise agreed with a specific client. The specific manner in which fees are charged by GAM USA for a managed account is established in a written agreement between the client and GAM USA.

GAM USA generally bills its fees on a monthly or quarterly basis. Accounts initiated or terminated during a period will be charged a pro-rated fee.

The basic fee schedule may also be modified if the client and GAM USA agree to a performance-based compensation arrangement. Performance-based compensation arrangements will comply with Rule 205-3 under the Investment Advisers Act of 1940, as amended (the "Advisers Act").

The portion of each client account that is invested in funds will also bear a proportionate share of the advisory fees and other expenses of the funds in which it invests in addition to being subject to the fees charged by GAM USA.

### ***Private Client Accounts***

GAM USA's basic fee schedule for private client accounts is an advisory fee of 1% per annum of the average of the client's month-end net assets under management and is generally payable quarterly in arrears.

GAM USA's management fee is ordinarily invoiced directly to the custodian for the account, who will deduct the fee from the account if there is no discrepancy. The GAM USA advisory fee may be waived, modified or negotiated with individual clients.

The portion of each private client account that is invested in funds will also bear a proportionate share of the advisory fees and other expenses of the funds, including GAM Funds, in which it invests in addition to being subject to the fees charged by GAM USA.

### ***Funds***

GAM USA receives investment management fees from certain GAM Funds. GAM USA's fee schedule applicable to each GAM Fund is generally set forth in the Confidential Private Placement Memorandum or other offering document ("Offering Document") for the relevant GAM Fund. Terms may be negotiated between the investor, the GAM Fund and/or GAM USA in certain circumstances. Prospective investors should review the Offering Document for the relevant GAM Fund.

Each GAM Fund is managed in accordance with the mandate established in the relevant Offering Document. GAM Funds may be advised by GAM USA and sub-advised by GIML or other affiliates in the GAM Group. GAM USA will be responsible for any investment management fees payable to a sub-adviser in the GAM Group.

GAM USA's fees are exclusive of all investment costs, including brokerage commissions, transaction fees, custodian fees, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Investments in GAM Funds and other funds will also be subject to the investment and operating expenses incurred by those funds, which may include management fees, administrative fees, directors fees, and legal, tax and audit fees and expenses.

Item 12 describes the factors that GAM USA considers in selecting or recommending broker-dealers to execute client transactions.

## **Item 6      Performance-Based Fees and Side-By-Side Management**

In some cases, GAM USA may enter into performance-based compensation arrangements with qualified clients. These compensation arrangements are subject to negotiation with each client. GAM USA will structure any performance or incentive compensation arrangement to comply with Section 205(a)(1) of the Advisers Act and Rule 205-3. In measuring a client's assets for the calculation of performance-based fees, GAM USA will ordinarily include realized and unrealized capital gains and losses.

Performance-based compensation arrangements may create an incentive for GAM USA to recommend investments that may be riskier or more speculative than would be recommended under a different fee arrangement. Such compensation arrangements may also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. GAM USA has adopted procedures designed to ensure that all clients are treated fairly and equally, and to prevent any potential conflict of interest

from influencing the allocation of investment opportunities among clients. For example, GAM USA monitors the performance of similarly managed accounts on an ongoing basis.

## **Item 7        Types of Clients**

As noted above, GAM USA provides investment management services to high net worth individuals, corporate and public pension plans, trusts, estates, charitable organizations, foundations, endowments, corporations and pooled investment vehicles, including GAM Funds.

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

GAM USA and its affiliates manage GAM Funds and accounts using both multi-manager and single-manager investment strategies. In both cases, the underlying assets may be invested in a wide range of investment programs and strategies.

GAM USA's security analysis primarily includes fundamental analysis, but it may utilize other methods, like technical analysis, depending on the strategy and portfolio manager. GAM USA relies upon GIML and other affiliates for certain investment analysis. There can be no assurance that any accounts managed by GAM USA will achieve their investment objective, as investing in securities and other financial instruments involves a risk of loss that each client should be prepared to bear.

Funds and accounts managed using a multi-manager strategy are subject to all of the investment risks that may be involved in investments in securities and other financial instruments, many of which are described below, and are also subject to certain additional risks that are unique to the multi-manager structure.

Any investment in any product or strategy offered by GAM USA may be subject to any or all of the risks described below and are suitable only for sophisticated investors for whom an investment in the product does not represent a complete investment program and who fully understand and are capable of bearing the risks of such an investment.

In the case of a GAM Fund, prospective investors should carefully review the risks described in the Offering Document for the relevant GAM Fund, and should evaluate the merits and risks of an investment in the context of their overall financial circumstances. The risk factors below are not intended to be exhaustive and should be considered carefully by prospective investors together with the full text of the applicable Offering Document or management agreement.

### ***Investment and Trading Risks in General***

All investments risk the loss of the amount invested. No guarantee or representation is made that any investment program will be successful, and investment results may vary substantially over time. The value of a client's portfolio and the income (if any) derived from it, can go down as well as up.

### ***Concentration of Investments***

A portfolio may at times hold relatively few investments. The result of such concentration of investments is that a loss in any such position could materially reduce the value of the client portfolio.

### ***Leverage***

Certain investment practices or trading strategies such as investment in financial and commodity futures and in derivative instruments may involve significant leverage. Leverage can be employed in a variety of ways including direct borrowing, margining, short selling and the use of futures, warrants, options and other

derivative products. The risk of leverage in futures contracts, options warrants and other derivatives is that small movements in the price of the underlying asset or index can result in large losses or profits. Accounts and funds managed using a multi-manager strategy ordinarily will not use leverage, although they may borrow for temporary purposes in order to fund investments in underlying funds or payment of redemptions.

### ***Illiquid Assets***

Certain investment positions may be or become illiquid. A portfolio may invest in “restricted” or non-publicly traded securities or thinly traded securities. It may not be easy to dispose of such non-publicly or thinly traded securities, and in some cases, there may be contractual restrictions preventing the disposal of securities for a specified period of time.

### ***Currency Exposure***

Certain assets may be invested in securities and other investments that are denominated in currencies other than the U.S. Dollar and in other financial instruments, the price of which is determined with reference to currencies other than the U.S. Dollar. Accordingly, the value of such assets may be affected favorably or unfavorably by fluctuations in currency rates.

### ***Hedging***

Some investment strategies may employ hedging techniques, directed primarily toward general market risks. If employed, hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments. For a variety of reasons, it may not be possible to establish a sufficiently accurate correlation between hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent an investor from achieving the intended hedge or expose the investor to risk of loss. In addition to possible losses on the position sought to be hedged notwithstanding the attempted hedge, an investor could incur losses on the hedging position itself.

All hedging strategies necessarily involve costs, which could be significant, whether or not the hedge sought is successful. Some strategies may invest in markets or instruments as to which hedging strategies are limited or unavailable.

### ***Equity Securities***

Investments in long and short positions in equity securities may fluctuate in value, often based on factors unrelated to the value of the issuer of the securities. The market price of equity securities may be affected by general economic and market conditions, such as a broad decline in stock market prices, or by conditions affecting specific issuers, such as changes in earnings forecasts.

### ***Short Selling***

Short selling involves trading on margin and accordingly can involve greater risk than investments based on a long position. A short sale of a security involves the risk of a theoretically unlimited increase in the market price of the security, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no guarantee that securities or other instruments necessary to cover a short position will be available for purchase.



## ***Derivatives***

GAM USA may utilize exchange-traded and over-the-counter futures, swaps, “synthetic” or derivative instruments, certain types of options and other customized financial instruments issued by banks, brokerage firms or other financial institutions. Swaps and other forms of derivative instruments are not guaranteed by an exchange or clearing house or regulated by any U.S. or foreign governmental authority. It may not be possible to dispose of or close out a swap or other derivative position without the consent of the counterparty, and the account may not be able to enter into an offsetting contract in order to be able to cover its risk. New rules recently adopted in several major jurisdictions may require that certain swaps be traded on exchanges, and may limit the availability of certain types of swaps.

## ***Debt Securities***

Some strategies may invest in bonds and other fixed income securities that are subject to credit, liquidity and interest rate risks. Debt securities may be unrated by a recognized credit-rating agency or rated below investment grade, and subject to greater risk of loss of principal and interest than higher-rated debt securities. Debt securities may also rank junior to other outstanding securities and obligations of the issuer that may be secured by substantially all of that issuer’s assets. Investments in some debt securities may not be protected by financial covenants or limitations on additional indebtedness. Investments in distressed debt securities may be subject to a significant risk of the issuer’s inability to meet principal and interest payments on the obligations (credit risk) and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity risk (market risk). Evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, which can make it difficult to accurately calculate discounting spreads for valuing financial instruments.

## ***Developing Markets***

Certain strategies may invest in developing market debt securities, foreign exchange instruments and equities that may lead to additional risks being encountered when compared with investments in developed markets. These risks including currency exchange rate fluctuations, political, social and economic instability, foreign taxes and different regulatory, auditing and reporting standards. The political, regulatory and economic risks inherent in investments in developing markets are significant and may differ in kind and degree from the risks presented by investments in the world’s major securities markets. These may include greater price volatility, substantially less liquidity and controls on foreign investment and limitations on repatriation of invested capital. Costs relating to investment will also tend to be higher.

## ***Prime Broker and Custodian Insolvency***

A client portfolio may be at risk of a prime broker or custodian entering into an insolvency procedure. During such a proceeding (which may last many years), the use of assets held by or on behalf of the prime broker and custodian may be restricted. During such a proceeding, especially outside the United States, a client portfolio may be an unsecured creditor in relation to certain assets, and accordingly may be unable to recover such assets from the insolvent estate of the relevant prime broker or custodian in full or at all.

## **Risks Applicable to Multi-Manager Strategies**

### ***Allocation of Assets to Multiple Portfolio Managers***

Assets managed using a multi-manager strategy are allocated to a number of Portfolio Managers, often by investing in investment vehicles which they manage (“Portfolio Funds”). Each Portfolio Manager makes its

trading decisions independently. Portfolio Managers may on occasion be competing with each other for similar positions at the same time and may take opposite positions in the same or in a related security. If a Portfolio Manager is replaced by a new Portfolio Manager, the assets allocated to the new Portfolio Manager may be subject to incentive compensation arrangements commencing from the date of appointment of the new Portfolio Manager. The portfolio may be required to pay incentive compensation based upon profits generated by one Portfolio Manager even though another Portfolio Manager or the portfolio as a whole may have realized a loss.

### ***Two Levels of Expenses***

An investor investing in a multi-manager portfolio incurs the costs of two levels of investment advisory services: the management fee paid by the investor for the selection of Portfolio Managers, and the incentive and other fees paid to each Portfolio Manager. In addition, the investor bears a proportionate share of the fees and expenses of the portfolio (including operating costs, distribution expenses and administrative fees) and, indirectly, similar expenses of the Portfolio Managers and Portfolio Funds. An investor who met the conditions imposed by a Portfolio Manager or Portfolio Fund may be able to invest directly with the Portfolio Manager or Portfolio Fund, although in many cases access to a Portfolio Manager or Portfolio Fund may be limited or unavailable.

### ***Effect of Incentive Compensation***

Portfolio Managers may be compensated through incentive arrangements. Under these arrangements, a Portfolio Manager may benefit from appreciation, including unrealized appreciation, in the value of the Portfolio Fund, but may not be similarly penalized for realized losses or decreases in the value of the Portfolio Fund. Such compensation arrangements may create an incentive for a Portfolio Manager to make purchases that are unduly risky or speculative. An investor may be required to pay incentive compensation to one Portfolio Manager even though the investor may have suffered a loss.

### ***Lack of Regulation of Portfolio Funds***

Portfolio Funds may not be subject to any form of authorization or regulatory supervision. Portfolio Funds may not be required to have an independent custodian or any custodian at all. Portfolio Funds are generally not subject to many provisions of the U.S. federal securities laws, particularly the Investment Company Act, that are designed to protect investors in pooled investment vehicles offered to the public in the United States, and may not generally be subject to regulation or inspection by the SEC or other U.S. governmental authorities or any comparable scheme of regulation or governmental oversight in their home jurisdiction. Portfolio Funds and Portfolio Managers may be located outside the United States and may not be subject to U.S. law or the jurisdiction of U.S. courts and regulatory authorities.

### ***Illiquidity***

Investments in Portfolio Funds may be subject to lock-up periods, limited redemption rights, advance notice requirements, suspension rights, gates, side pockets and other provisions that adversely affect liquidity. Interests in Portfolio Funds typically have not been registered under U.S. or other securities laws, typically are not listed or dealt in on any securities exchange, and typically are not freely transferable. It may be difficult or impossible to sell such Interests. Portfolio Funds may not permit redemptions and, under certain conditions, may defer redemption payments or suspend redemptions.

### ***Distributions in Kind***

An investor in a Portfolio Fund may be required to accept distributions of securities or other assets from the Portfolio Fund. The investments may be illiquid and not readily realizable.

### ***Valuation of Portfolio Funds***

The valuation of investments in Portfolio Funds is ordinarily determined based upon valuations provided by the managers or administrators for the Portfolio Funds. Although GAM USA or an affiliate reviews the valuation procedures used by Portfolio Funds and Portfolio Managers, they are not able to confirm the accuracy of valuations provided by Portfolio Funds and Portfolio Managers.

### ***No Control over Portfolio Managers or Funds***

GAM USA will not be able to control or monitor the activities of Portfolio Funds and Portfolio Managers on a continuous basis. A Portfolio Manager may use investment strategies that differ from its past practices, have not been fully disclosed to investors, or involve added risks under certain market conditions.

### ***Lack of Available Information about Funds and Portfolio Managers***

There may not be any public information available about the Portfolio Funds, Portfolio Managers or their service providers. Some Portfolio Managers and Portfolio Funds may have limited operating histories.

## **Item 9      Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of GAM USA or the integrity of GAM USA's management. GAM USA has no relevant information to disclose in response to this Item.

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

### ***The GAM Group***

GAM USA is registered as an investment adviser with the SEC under the Advisers Act and as a commodity trading advisor and commodity pool operator with the Commodity Futures Trading Commission. GAM USA is also a member of the National Futures Association. Certain individuals associated with GAM USA are registered with the National Futures Association as Associated Persons and/or Principals of GAM USA.

The ultimate parent company of GAM USA is GAM Holding AG, a Swiss public corporation. Established in 1983, GAM Holding AG was owned by UBS AG from 1999 until December 2005, when it was acquired by the Julius Baer Group. In October 2009, the private client businesses of Julius Baer Holding Ltd. were spun-off into a new entity, Julius Baer Group AG. In connection with the spin-off, Julius Baer Holding Ltd. was renamed "GAM Holding AG". GAM Holding and its affiliates focus exclusively on asset management.

GAM USA is the sole shareholder of GAM Services Inc. ("GAM Services"), a limited purpose broker-dealer registered with the SEC and a member of the Financial Industry Regulatory Authority. Certain employees of GAM USA are registered representatives of GAM Services. GAM Services does not provide brokerage services to clients of GAM USA, but may act as the distributor for certain GAM Funds.

GIML is a registered investment adviser with the SEC under the Advisers Act. GIML, a company incorporated in England and Wales, is an indirect wholly owned subsidiary of GAM Holding. GIML may provide sub-advisory services to GAM USA and acts as investment adviser to various U.S. and non-U.S. funds.

GAM London Limited is an asset manager based in London that is also an indirect wholly owned subsidiary of GAM Holding.

GAM Hong Kong Limited is an asset manager based in Hong Kong that is also an indirect wholly owned subsidiary of GAM Holding.

GAM (Dubai) Limited is an asset manager based in Dubai that is also an indirect wholly owned subsidiary of GAM Holding.

Swiss & Global Asset Management AG is an asset manager based in Switzerland that is also an indirect wholly owned subsidiary of GAM Holding. The company emerged from Julius Baer Asset Management in October 2009.

### ***Other Activities and Potential Conflicts of Interest***

GAM USA may have arrangements with other affiliated companies in the GAM Group that are material to its advisory business. GAM USA and its affiliates may have arrangements to purchase certain funds, investment advisory, brokerage and incidental services, and corporate finance advisory services from GAM Holding and its affiliates, which may include services provided by affiliates located outside the United States.

GAM USA may invest client assets in GAM Funds managed or sponsored by GAM USA or other affiliates in the GAM Group. In such cases, GAM USA or its affiliates may receive advisory fees directly from the GAM Fund at the same time that GAM USA receives advisory fees directly from its clients. The combination of such fees may exceed the fees charged by other investment advisers for comparable investment advisory services. GAM USA may have an incentive to invest client accounts in funds managed by affiliated companies in the GAM Group. However, in order to mitigate such conflict of interest in the case of a multi-manager fund or institutional account managed by GAM USA that invests in a GAM Fund, the fees payable directly or indirectly by the client would be structured so that the client does not pay any additional investment management fees to GAM USA or one of its affiliates as a result of such an investment in a GAM Fund. Subscription fees charged by GAM Funds are generally waived for clients of GAM USA.

GAM USA may invest client assets in other Portfolio Funds and with other Portfolio Managers. Clients could avoid paying advisory fees to GAM USA and still receive the benefit of the services of the Portfolio Managers by investing directly in the Portfolio Funds (to the extent available to them). However, clients investing directly in Portfolio Funds would not receive the benefit of GAM USA's services in selecting and allocating client assets among Portfolio Managers.

GAM USA, GIML or other affiliates in the GAM Group may serve as general partner, managing member or in similar capacities for investment vehicles in which clients GAM USA are solicited to invest.

GAM USA and its affiliates provide investment management and advisory services to a wide range of clients, some of which may pursue the same or similar investment strategies. Different clients may be subject to different fees and expenses. GAM USA, its affiliates and their employees may own interests in some funds.

GAM USA and its affiliates will determine how investment opportunities are allocated among their clients, even though they may face potential conflicts of interest in making such allocations. Certain investments may be appropriate for a product or strategy managed by GAM USA and also for other clients advised by GAM USA and/or its affiliates. GAM USA and its affiliates may cause different clients to invest in the same or different underlying investments. GAM USA will act in a manner that it considers fair and equitable in allocating investment opportunities among its client accounts. However, GAM USA and its affiliates may make investments for a client account that would have been suitable for investment by another client account but, for various reasons, were not pursued by, or available to, the account. This could occur by reason of differing tax or regulatory consequences applicable to a particular investment or account, or due to different investment objectives, strategies, restrictions, liquidity requirements or other considerations applicable to particular accounts, or because a particular Portfolio Fund has closed or limited investments by new investors or does

not accept a particular client account as an investor. As a result, the performance of different client accounts managed by GAM USA and its affiliates may vary, even if they are managed using the same or a substantially similar strategy.

GAM USA and its affiliates provide a wide range of advisory, management, administration, distribution and other services to clients. GAM USA and/or its affiliates may provide services to Portfolio Funds or managed accounts in which a client of GAM USA may invest, or to the Portfolio Managers of such Portfolio Funds or accounts. GAM USA and/or its affiliates and their employees may also be engaged in transactions or have financial dealings with other financial services organizations that may invest in, provide services to, or be engaged in transactions with a client, a Portfolio Fund or a Portfolio Manager.

GAM USA and/or its affiliates do not have any duty to account for profits derived from other activities and are under no duty, other than the duty as a fiduciary, to engage in such activities in a manner that does not affect the investments of its clients. In addition, they are required to devote to client affairs only as much time as they deem necessary and appropriate.

GAM Holding and its subsidiaries around the world may buy, sell or hold securities and other investments. GAM USA may, in compliance with applicable laws, recommend or effect transactions in securities in which its affiliates may have an interest or position or make a market. Any such transaction will generally be effected through an unrelated party if required by applicable law.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with GAM USA's obligation of best execution, as described further below in Item 12. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. GAM USA will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro-rata basis. Any exceptions will be explained on the order.

Under limited circumstances, certain affiliates of GAM USA may repurchase from clients shares or interests in Portfolio Funds and resell such shares or interests to other clients. Such transactions will be effected at the current net asset value of the shares or interests involved.

With a client's prior consent, GAM USA may affect U.S. and foreign securities or other investment transactions with its affiliates on an agency or principal basis. Such transactions will be accomplished in accordance with applicable laws and regulations and subject to best execution. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between a GAM Fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

In general, it is against internal policy for GAM USA to act as principal in client securities transactions. Any such transactions would only be effected with the consent of the client as required under Section 206(3) of the Advisers Act.

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

GAM USA has adopted a Code of Ethics for all employees of the firm, describing its high standards of business conduct and fiduciary duty to its clients. The Code of Ethics includes, among other things, provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, prohibitions on practices commonly known as “pay to play” and the reporting of certain gifts and business entertainment items, and personal securities trading procedures. All GAM USA employees must acknowledge the terms of the Code of Ethics annually.

GAM USA’s employees are required to follow GAM USA’s Code of Ethics. Subject to satisfying the requirements set forth in the Code of Ethics and applicable laws, employees of GAM USA may trade for their own accounts in securities that are recommended to and/or purchased for GAM USA’s clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of GAM USA will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of GAM USA’s clients. In addition, the Code of Ethics requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Subject to certain exceptions, employees of GAM USA are required to hold securities for a specified period. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between GAM USA and its clients.

GAM USA’s clients or prospective clients may request a copy of the firm’s Code of Ethics by contacting our Chief Compliance Officer.

## **Item 12 Brokerage Practices**

### ***Investment or Brokerage Discretion***

GAM USA will ordinarily be granted discretionary authority to determine the securities and the amount of securities to be purchased or sold for client accounts, and the full discretion, where applicable, to select a broker or dealer to execute transactions and to negotiate the rate of commissions payable for such services. Transactions for private client accounts will consist primarily of the purchase or redemption of shares of Portfolio Funds, which will not involve payment of brokerage commissions. Any sales load or subscription charge payable to an affiliate of GAM USA in connection with an investment by a client in a GAM Fund will be waived.

GAM USA will ordinarily be granted authority to select the broker or dealer to be used to execute transactions for client accounts and the commission cost to be paid. Selection of brokers, in certain circumstance, may be limited by the client’s objectives and applicable law. In selecting brokers, GAM USA’s primary consideration will be to obtain the most favorable net result for the client under the circumstances, which may not involve the lowest possible commission cost. However, in addition to the price of the security and the commission cost, GAM USA may also take into account other considerations, including, but not limited to:

- the size and difficulty of the order;
- the apparent capability of the broker to complete the transaction;
- research services provided to GAM USA by the broker, such as reports and analyses of markets, industries, companies and economic trends;
- quality and promptness of execution;

- effectiveness of transaction clearing and settlement; and
- marketing assistance, such as obtaining participations in new issues, providing bids and offers for securities that are thinly traded, and assisting in distribution of shares of investment companies advised or sponsored by GAM USA or its affiliates.

The applicability of specific criteria will vary depending upon the nature of the transaction, the market in which it is executed, and the extent to which it is possible to select from among multiple brokers or dealers.

### ***Broker Selection***

GAM USA selects brokers and dealers on the basis of its judgment of their professional capability to provide the service at reasonably competitive rates. GAM USA will use its professional judgment and knowledge as to rates paid and charged for similar transactions throughout the industry in making this determination. If in GAM USA's judgment the commission is reasonable in relation to the brokerage and research services provided, GAM USA is authorized to pay a brokerage commission in excess of the commission another broker would have received for effecting the same transaction.

Research services that are provided to GAM USA by brokers and dealers may be used for the benefit of all clients of GAM USA and do not necessarily benefit solely the account(s) from which the commissions were generated. Clients may pay higher commissions than are obtainable from other brokers as a result of GAM USA's consideration of research services and the other factors identified above in addition to commission cost.

Brokers or dealers will not charge GAM USA a separate fee for research and other services, and the continued provision of services in some cases might be conditioned upon GAM USA directing a target level of transactions to the broker or dealer. Likewise, GAM USA has no contractual obligations requiring it to provide minimum amounts of trades to any broker or dealer if GAM USA, in its discretion, determines that the broker or dealer is not providing best execution. In all cases, GAM USA will make a good-faith determination that the services are used in the investment decision making process, and that total commissions paid to a broker or dealer are reasonable in relation to the value of brokerage and research services provided.

For clients who request that trades be directed to selected brokers or dealers, GAM USA will attempt to honor those requests while at the same time striving for best execution. Since clients seldom waive GAM USA's responsibilities in this regard, it is GAM USA's policy to target a direction level that leaves its portfolio managers with enough flexibility to select brokers that will provide best execution.

The investment research and information services that may be received by GAM USA may include, among other things: data, analysis and reports regarding securities, security markets, and the economy; security quotes and data feeds; statistical data and analysis; portfolio strategy information; industry and company information and opinions; stock and bond market conditions; economic projections; credit analysis; pricing and appraisal services; legal developments affecting portfolio securities; and asset allocation and portfolio structure information.

### ***Soft Dollars***

Although GAM USA may receive research services from brokers as described above, the current policy of GAM USA is not to use commissions generated by trading for client accounts, also known as "soft dollars," to pay for third party research services. If GAM USA were to decide in the future to use soft dollar arrangements to pay for third party investment research and information services, GAM USA would only do so in a manner consistent with the provisions of the safe harbor under Section 28(e) of the Securities Exchange Act of 1934, as amended.

### ***Trade Allocation and Aggregation Practices***

GAM USA will generally aggregate orders for block execution of various clients when it makes a good faith determination that this will be consistent with its duty to seek best execution and consistent with the terms of client agreements and otherwise in the best interest of its clients. Clients, however, are not assured of participating equally or at all in particular investment allocations due to factors such as a particular client's investment style, applicable restrictions, availability of securities, available cash and other current holdings. Where client transactions are not aggregated, clients may pay commissions and costs which are higher than had GAM USA aggregated the order. Allocations will be made by GAM USA in a manner considered to be fair so that no client will be favored over another. If the aggregate order is filled in its entirety, it will be allocated among clients in accord with a written allocation statement. Where the aggregate order is executed in a series of transactions at various prices on a given day, each client's proportionate share of such order reflects the average price and commission rate paid or received with respect to the total order placed on that day. In some instances, this procedure could adversely affect a given client, but GAM USA believes that any disadvantage in the procedure would be outweighed by the increased selection available and the increased opportunity to engage in volume transactions. When the full amount of a block execution is not executed, the partial amount actually executed generally is allocated pro-rata among participating client accounts; provided, however, that the portfolio manager has discretion to fill orders for certain accounts before others under certain circumstances such as:

- An order for a certain account may be filled before other accounts in the event that the securities purchased or sold in the block execution are of a small amount so that allocating such securities pro-rata is not feasible, advisable, or meaningful, provided that all such accounts, taken as a whole, are treated fairly and equitably over time.
- In the discretion and at the direction of the portfolio manager responsible for such order, a partially filled order may be allocated first to those accounts where the purchase or sale of such security is most closely aligned with the established investment objective of the account receiving the allocation. In the foregoing circumstances, the market performance of the security being allocated shall not be a determinant in any deviation from a pro-rata allocation.
- Initial public offerings ("IPOs") are made available to eligible client accounts in accord with GAM USA's allocation policy. Where GAM USA receives a nominal allocation of a particular IPO, GAM USA also may utilize a rotation system between eligible accounts. IPO allocations may be sold shortly after the client account receives the allocation where GAM USA determines not to hold the IPO for long term investment. Such practice will cause increased transaction and commission costs.

### ***Directed Brokerage***

While GAM USA generally selects the brokers or dealers that provide best execution of portfolio transactions, a client may, in writing, direct GAM USA to use a particular broker or dealer to execute portfolio transactions for its account or request that certain types of securities not be purchased for its account. If a client directs the use of a particular broker or dealer, the client understands that it will relieve GAM USA from negotiating commissions from brokers or dealers and monitoring for best execution. Additionally, clients will be informed that they may lose the possible advantage that other non-directing clients derive from aggregation of orders for several clients as a single transaction for the purchase or sale of a particular security. Where the client directs the use of a particular broker or dealer, the client may pay higher commission charges than GAM USA's non-directed clients and GAM USA cannot negotiate commissions on the client's behalf and obtain volume discounts or assure best execution. When agreeing to minimum ticket charges, directed brokerage clients may pay higher commissions than had they agreed to pay solely based upon price per share charges which



commission charges, could be compounded by frequent re-balancing or turnover in the account. Non-directed broker clients may pay higher or lower commission charges than directed brokerage clients.

Where the client directs GAM USA to use a particular broker or dealer, GAM USA will, when it buys or sells a portfolio security held by such designating clients, transmit orders to a single broker simultaneously with its other discretionary accounts and request that the broker step-out the directed broker trades to the directed broker, but not charge any additional commission. Clients that direct GAM USA to use a particular broker dealer could be adversely affected when step-out trades are not done simultaneously with trades for other discretionary accounts because the trades may be executed at different times. GAM USA makes every effort to place all trades simultaneously. GAM USA may receive client referrals from affiliates of step-out brokers and therefore has a potential conflict of interest between clients obtaining lower commissions and GAM USA receiving future referrals from affiliates of the step-out brokers.

Although over-the-counter ("OTC") securities are ordinarily executed on a principal basis, some may be executed on a brokered basis. With such OTC trades, GAM USA may pay a broker who acted as an agent a commission as well as the mark-up/mark-down charged by the market maker of the OTC security. In such cases, GAM USA's clients will have paid higher commissions than had the trade been placed on a principal basis. This, however, is not the general practice of GAM USA and will be consistent with GAM USA's duty to seek best execution.

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

Each private client is assigned a portfolio manager who selects from a range of Funds to construct appropriate portfolios. Members of the portfolio management team meet regularly with clients or their advisers to determine and review overall objectives, risk tolerance and other information relevant to each portfolio. Portfolios are constructed to accommodate both client objectives and the prevailing strategic asset allocation guidelines as established by the GAM Group Investment Committee. GAM USA or its affiliates perform periodic reviews of each private client account as compared to its relevant model portfolio to determine any discrepancies. Any discrepancies outside established tolerance levels are discussed with the applicable Portfolio Manager. The GAM Group Investment Committee meets weekly to discuss the current investment environment and the views of the GAM Group's many specialist fund managers and advisers. Relevant information from these meetings is disseminated to the portfolio managers and utilized in their review of private client accounts. GAM USA and/or its affiliates also separately services the accounts on a regular basis. Beginning in the first quarter of 2010, GAM USA has delegated the investment management and primary servicing of these accounts to affiliated entities with the GAM Group.

Non-private client accounts are reviewed by GAM USA and, with respect to certain accounts, its affiliates on a regular basis. Reviews take into consideration the investment objectives, policies and restrictions of the applicable account, as well as market conditions and any legal or regulatory restrictions. GAM USA or its affiliates monitor non-private client account portfolios for consistency with client guidelines and investment restrictions. In addition, significant company, industry and market changes trigger prompt reviews of all relevant accounts.

Private clients are provided with valuations of their portfolios on a quarterly or more frequent basis as agreed with each client. In general, monthly reports are provided to the clients in the form of security positions. Other more detailed reports may be provided quarterly or as mutually agreed.

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

Neither GAM USA nor any of our employees receives any economic benefits from non-clients in connection with giving advice to clients.

GAM USA does not currently utilize any non-affiliated third parties to solicit or introduce clients to GAM USA. GAM USA has certain historic arrangements with its prior parent company, a large financial services company, to pay to such financial services company a portion of the advisory fees received by GAM USA from certain private client accounts introduced by such financial services company. Such arrangements have been disclosed to GAM USA's private clients in accordance with, and otherwise comply with, Rule 206(4)-3 under the Advisers Act. Clients under these arrangements are not charged fees higher than the standard fees described in Item 5. GAM USA is no longer accepting any new private client accounts and does not have any similar arrangements with respect to any of its institutional client accounts.

## **Item 15 Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. GAM USA urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 Investment Discretion**

GAM USA usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, GAM USA observes the investment policies, limitations and restrictions of the clients for which it advises.

Investment guidelines and restrictions must be provided to GAM USA in writing.

## **Item 17 Voting Client Securities**

Clients may obtain a copy of GAM USA's proxy voting policies and procedures upon request by contacting our Chief Compliance Officer. Clients may also obtain information from GAM USA about how GAM USA voted any proxies on behalf of their account(s).

GAM USA exercises a voice on behalf of its clients through the proxy voting process. GAM USA takes this fiduciary responsibility seriously. Accordingly, proxy votes are cast utilizing a pre-established set of policy guidelines based on the recommendations of an independent third party service provider. The service provider makes its recommendations based on its independent, objective analysis of the economic interests of shareholders. This process ensures that GAM USA votes in the best interests of its clients, and helps insulate voting decisions from any potential conflicts of interest.

Fund managers will generally act in accordance with the policy guidelines. However, they may override the policy if they feel that client interests would be better served by doing so. In such cases, GAM USA has established procedures to ensure that no conflict of interest exists before a vote outside of policy is permitted. Should any material conflict of interest be identified, however, the fund manager would be prohibited from overriding the policy. The possibility exists, therefore, that certain issues may be voted differently depending on which fund or account a security is held in.

With respect to GAM USA's multi-manager funds, a separate policy exists that provides for voting at the underlying fund level, but not as to the securities held in the underlying funds. GAM USA will, absent a reason to the contrary, ordinarily vote with management's recommendations on routine matters, and on a case-by-case basis for other matters.

Voting in funds with external investment advisers is determined by the external advisers' policy guidelines and not by GAM USA.

**Item 18      Financial Information**

Registered investment advisers are required to provide you with certain financial information or disclosures about their financial condition. GAM USA has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.