

# Diker Management, LLC

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of Diker Management, LLC (“Diker” or the “Company”). If you have any questions about the contents of this brochure, please contact us at 212-904-0321. 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.

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

## **Material Changes**

The Cover Page of this Brochure has been updated to reflect a change in Diker's address.

Additionally, this Brochure has been updated through to reflect that:

- The Diker Small and Mid-Cap Fund LP and Diker Small and Mid-Cap QP Fund LP were renamed the Wayfinder Small Cap Fund LP and Wayfinder Small Cap QP Fund LP, respectively; and
- The Diker Micro-Cap Fund LP has been fully liquidated.

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## **Advisory Business**

Diker was founded and registered with the SEC as an investment adviser in 2002 and is principally owned by Charles M. Diker and Mark N. Diker. As of January 1, 2018, Diker managed approximately \$170 million on a discretionary basis for 17 clients and \$417 million on a non-discretionary basis for 15 clients.

Diker serves as an investment manager or adviser to several pooled investment vehicles, including private investment partnerships organized to invest in securities and other financial instruments (collectively “Funds”). Diker also manages separate accounts for individuals, high net worth individuals and associated trusts, estates, or charitable institutions, and corporations or business entities (“Separate Accounts” and, together with Funds, “Clients”). The Company currently provides advisory services to 4 funds:

- Wayfinder Small Cap Fund LP and Wayfinder Small Cap QP Fund LP (collectively, the “Wayfinder Funds”)
- Diker Value-Tech Fund LP and Diker Value-Tech QP Fund LP (collectively, the “Value-Tech Funds” and, collectively with the Wayfinder Funds, the “Diker Funds” or the “Funds”)

Diker manages its Separate Accounts’ assets based on the individual needs of each Separate Account. At the onset of a Separate Account relationship, Diker identifies specific investment objectives and/or restrictions. Investment objectives and restrictions for the Funds are contemplated in the relevant governing documents.

Diker primarily provides investment advice on equity securities of small and mid -cap companies. Each Client's assets will be invested in various securities, which may include bonds according to the Company's investment research and the Client's specific risk profile.

## **Fees and Compensation**

### ***Separate Accounts***

The fees paid by Separate Accounts are negotiable and vary, but typically consist of the following:

- An annual fee of 1%, paid quarterly in arrears, of each Separate Account's total average equity assets.
- An annual fee of 0.40%, paid quarterly in arrears, of each Separate Account's portfolio of average fixed income assets.
- As agreed upon in their respective Investment Advisory Agreement, certain Separate Accounts are charged an annual fee of 1.25%, paid quarterly in arrears of total assets and 20% on net profits that exceed both a hurdle and loss carryforward amount.

The Investment Advisory Agreement signed with each Separate Account provides that the Company is authorized to receive its fee directly from the Client's account.

The Investment Advisory Agreement is terminable by either the Company or the Separate Account at any time upon written notice. If such termination were to occur on any date other than the last day of a calendar quarter, then the advisory fee will be due and payable on such date on a prorated basis as detailed above.

### ***Funds***

The Diker Funds shall pay to the Company on the last day of each fiscal quarter a fee for management services (the "Management Fee") equal to 0.375% of the month-end net asset value of each limited partner's capital account for such fiscal quarter (1.5% per annum).

An affiliate of Diker serves as the General Partner to the Funds and receives an annual incentive allocation that is equal to 20% of the net capital appreciation, realized and unrealized, allocated to each limited partner or shareholder in each fund for a fiscal year.

In the discretion of the General Partner, the Management Fee and incentive allocation may be waived, reduced, or calculated differently with respect to certain limited partners in each of the Diker Funds.

## **Performance Based Fees and Side-by-Side Management**

As stated in the Fees and Compensation section above, Diker's affiliate charges performance based fees to the Funds, which are fees based on a share of capital gains on or capital appreciation of the Funds' assets.

The fact that Diker is compensated based on the trading profits may create an incentive for Diker to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such compensation. Performance based fees may create an incentive for the Company to favor accounts that pay a performance based fee over other accounts that do not pay a performance based fee. In addition, the performance based fee received by Diker is based on realized and unrealized gains and losses. As a result, the performance based fee earned could be based on unrealized gains that the Funds may never realize. However, the Diker incentive fee allocation will only be made to the extent there is no unrecoverable balance remaining in such Limited Partner's loss recovery account.

## **Types of Clients**

As discussed in the Advisory Business section above, Diker's Separate Accounts generally consist of individuals, high net worth individuals and associated trusts, estates, or charitable institutions, and other corporations or business entities.

Additionally, the Company provides discretionary investment advice to the Funds, which are primarily structured as Delaware limited partnerships.

The Company generally requires a minimum of \$5,000,000 to open a Separate Account and \$1,000,000 for an investment in the Funds. However, Diker reserves the right to waive this minimum.

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

### ***Investment Strategy***

Diker's primary strategy is to achieve long term capital appreciation through intensive primary research of small and mid-cap companies that are fundamentally strong and attractively valued.

Diker manages the Funds in two separate strategies. One of the strategies invests primarily in equity securities of small- and mid-cap technology services companies and the second strategy invests in securities of small and mid-cap companies generally across technology, industrial, and consumer companies. Please refer to each Fund's offering memorandum for additional details.

### ***Research Process***

The Company primarily sources investment opportunities through proprietary research and screening to identify companies that fit a particular Client's investment goals and risk profile. The Company uses database systems provided by third parties and creates proprietary screens to generate potential targets. Diker also reviews research produced by third parties, attends conferences, and speaks with industry contacts to assist the Company in identifying suitable investment opportunities.

Once the Company identifies a particular investment opportunity, the Company analyzes such information using its own evaluation techniques, which place emphasis on the presence of public information and the Company's own research which can include calls with management, customers, and other industry participants. The Company will only recommend investment ideas to Clients if it can independently confirm that such an investment matches a particular Client's investment goals and risk profile through fundamental research.

### ***Risks***

An investment in the strategies managed by Diker, via a Separate Account or investment in the Funds, entails a certain degree of risk and therefore should be undertaken only by clients and investors capable of evaluating and bearing the risks that are present. Set forth below is a non-exhaustive list of such risks; however, prospective investors are advised to review the applicable Fund governing documents for a more extensive description of the risks of investing in the Funds. Prospective Separate Accounts may request additional details relating to such risks from the Company.

- Investing in securities involves risk of loss that all Clients and investors should be prepared to bear.
- Identifying undervalued securities and other assets is difficult, and there are no assurances that such a strategy will succeed. Furthermore, Clients may be forced to hold such investments for a substantial period of time before realizing any anticipated value.



- The value of small-cap company securities may be subject to wider price fluctuations and may be difficult or impossible to sell. Low trading volume in a company's securities means that Diker may have to sell holdings at a discount from quoted prices or make a series of small sales over an extended period of time. Diker may also make investments into restricted securities that may require Diker to value these securities in accordance with Diker valuation policies. In addition, small-cap companies may generate less information on which to base investment decisions. Small-cap companies are often subject to risks related to lack the management experience, lack of financial resources, reliance on a single product and the inability to compete with better capitalized companies with more experienced managers.

## **Disciplinary Information**

Diker and its employees have not been involved in any legal or disciplinary events since its inception in 2002 that would be material to a client's evaluation of the company or its personnel.

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

As discussed, the Company provides investment advice to the Funds. The General Partner of the Funds is affiliated with Diker by common ownership.

Certain employees of Diker serve on the Board of Directors of publically-traded companies that are held in certain Client accounts. Diker's Code of Ethics prohibits employees from serving as an officer, director, or trustee of a publically-traded company without the approval of the Compliance Officer. Additionally, employees may not engage in personal trading of the securities of any company where a Diker employee serves in such capacity without the approval of the Compliance Officer. Please see the following section for additional information about Diker's Code of Ethics.

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

To avoid any potential conflicts of interest involving personal trades, the Company has adopted Code of Ethics, which requires, among other things, that employees act with competence, dignity, integrity, and in an ethical manner, when dealing with Clients, act in Clients' best interests, and comply with applicable provisions of the federal securities laws.

The Company's Code of Ethics also requires Employees to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide the Company with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such Employees have a direct or indirect beneficial interest.

A copy of the Company's Code of Ethics shall be provided to any client, investor, or prospective client or investor upon request. The Company and its related persons, including its employees, may invest their personal funds in the Funds, and, therefore, such persons may hold the same securities as other investors in the Funds. In addition, Diker and its related persons may own securities in their personal accounts that are also recommended by the Company to its Clients. The Company has adopted certain policies to help ensure that such trading by its personnel does not adversely affect the interests of its Clients.

Among other things, Diker's Code of Ethics indicates that employees of the Company may not trade in any securities owned by a Client for a proprietary account or for the account of any person (other than a Client), unless such trade had been specifically approved in advance by the Company's Compliance Officer. The Compliance Officer (or his delegate) shall not pre-approve transactions in securities for a proprietary account if the Compliance Officer believes that doing so would conflict with Diker's management of Client accounts. Transactions in options, derivatives or convertible instruments for a proprietary account which are related to a transaction in an underlying security for a Client account are subject to the same restrictions.

## Brokerage Practices

The Company seeks to obtain best execution of securities transactions on behalf of the Clients. In selecting brokers to effect portfolio transactions for the Clients, the Company considers the following factors, among others: the ability of the brokers to effect the transactions, the brokers' facilities, reliability and financial responsibility, and the brokers' provision or payment (or rebate for payment) of the costs of brokerage or research products or other products or services. Clients may pay, or Diker may authorize the payment and reimbursement of, brokerage commissions that may be in excess of the lowest rates available that are paid to brokers who execute transactions for the Clients and who supply, or pay for the cost of research products or services that are of benefit to the Clients.

The Company will pay various ticket charges and commissions on stock and option trades for clearing services and related systems provided by its prime broker, including but not limited to the prime brokerage website, order management system, and front-end trading software. The Company may, if it believes to be appropriate, bunch or aggregate orders for several Client accounts. Because of prevailing trading activity, it may not be possible to receive the same price or execution on the entire volume of securities purchased or sold in a particular security on a particular day. When this occurs, the various prices may, in the Company's discretion, be averaged and accounts will be charged or credited with the average price. The Company may also open "average price" accounts with broker-dealers. In an "average price" account, purchase and sale orders placed during a trading day on behalf of Clients accounts are combined, and securities bought or sold pursuant to such orders are allocated among such accounts on an average price basis. The effect of such aggregation may operate on some occasions to an account's disadvantage if its price is averaged up on a purchase or down on a sale.

Aggregated orders will be allocated among participating Clients in consideration of a number of factors, including, but not limited to, each Client's investment strategy, investment guidelines and restrictions, risk parameters, liquidity requirements, availability of cash to effect the trade, relative size of the participating accounts, tax considerations, existing position in a given security, ability to utilize leverage, and any other factor that the Company believes to be relevant to the allocation decision.

Trades for securities that are conducted across multiple brokers may not receive an average price at the end of the day; however, they are allocated in consideration of the same factors noted above. Further, different members of the investment staff may place orders in the same direction in the same security at different times throughout a given day. To the extent such orders are received in close temporal proximity, the Firm generally will seek to aggregate the orders in accordance with the procedures set forth above. However, there may be instances in which the timing of such orders will not permit them to be aggregated, which may result in additional ticket charges and/or different prices for the same security.

In addition, it is possible that the Company may make opposing recommendations to different clients due to the clients having different investment objectives, guidelines, restrictions, etc. For example, there may be times when a portfolio manager is buying (or selling) a security on behalf

of one client at the same time that a different portfolio manager is selling (or buying) the same security on behalf of another client, which could affect the prices of the securities that each client is trading. When such conflicts arise, Diker seeks to resolve the conflict in a manner that is fair and equitable to all Clients.

The Company manages a long-only separately managed account (the "Tech Managed Account") that seeks to be more concentrated in a smaller number of the long investments held in the Value-Tech Funds. This account will hold some of the same securities as the Value-Tech Funds, but in significantly different proportions as a percentage of capital. Due to the nature of its investment objectives, the Tech Managed Account often will not participate in transactions executed on behalf of the Value-Tech Funds. Additionally, trades in the same securities placed on behalf of the Tech Managed Account and the Value-Tech Funds may not be made contemporaneously. For example, a security may be held by both the Tech Managed Account and the Value-Tech Funds; however, the Tech Managed Account may have different liquidity needs, which may cause the Company to sell the security on behalf of the Tech Managed Account and not the Value-Tech Funds. As a result of the foregoing, the Tech Managed Account and the Value-Tech Funds may incur materially different transaction costs or receive materially different prices for the same security.

For certain of its funds, Diker creates "side by side" or "parallel" funds to invest the assets of different groups of investors. For example, certain funds are organized as exempt from registration as an investment company pursuant to Section 3(c)(1) of the Investment Company Act of 1940 with a parallel fund exempt from registration pursuant to Section 3(c)(7), both with the identical investment strategy. The parallel funds in these structures follow the identical investment program and are intended to maintain the same portfolio construction.

Periodic inflow and outflows of investor capital in the parallel funds from time to time require rebalancing of the portfolios to maintain the same portfolio construction. Diker generally effects such rebalancing transactions as cross trades (the "Rebalancing Cross Trades") between the two parallel funds through the funds' prime broker using the most recent publicly available closing price, which may be the closing price on the day of the cross trade if effected aftermarket hours or else the closing price as of the previous business day if effected prior to market open. The Rebalancing Cross Trades cost the funds between \$0.005 and \$0.01 per share, which is less than the commissions the funds would pay if the parallel funds were rebalanced through open market trades. Open market trading also could impact the price of certain securities. When conducting the Rebalancing Cross Trades, one of the parallel funds will be trading when it otherwise would not do so, solely for the purpose of maintaining the same portfolio construction between the two parallel funds.

The Company limits the use of "soft dollars" to obtain research and brokerage services to services which constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The research products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker), as well as items acquired by the broker from third parties (such as outside research or equipment providing market data). Research services furnished by the brokers may include written information and analyses concerning specific securities, companies or

sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services, discussion with research personnel, discussions with industry experts, and invitations to attend conferences or meetings with the management of companies representing prospective investment targets or industry consultants (but not travel expenses in connection therewith) and other products and services providing lawful and appropriate assistance to the Company and its affiliates in the performance of its investment decision-making responsibilities. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between the Company and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

In some instances, Diker may receive a product or service that may be used only partially for products and services within Section 28(e). In such instances, the Company will make a good faith effort to determine the relative portion of the product or service used to assist the Company in carrying out its investment decision-making responsibilities and the relative portion used for administrative or other purposes outside Section 28(e). The portion of the product or service attributable to assisting Diker in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by Client transactions. The portion attributable to administrative or other purposes outside Section 28(e) will be paid for with hard dollars (i.e., cash as opposed to brokerage commissions). Such hard dollar payments generally will be borne by the Funds for any portion of such expense for which the Funds are responsible pursuant to the Funds' governing documents.

When Diker uses Client brokerage commissions to obtain research or other products or services, the firm receives a benefit because it does not have to produce or pay for the research, products, or services. Therefore, Diker may have an incentive to select or recommend a broker-dealer based on the interest of receiving research products and services, rather than on the Clients' interest in receiving the most favorable execution.

The soft dollar research acquired by the Company normally benefits many Clients rather than just the one(s) for which the order is being executed, and not all research may be used by the Company in connection with the Client which paid commissions to the broker providing the research. Because the Funds generally trade significantly more than the Separate Accounts, the Funds typically generate the majority of the soft dollar credits utilized by Diker to obtain soft dollar products and services. In addition to using brokers as "agents" and paying commissions, the Company may buy or sell securities directly from or to dealers which are acting as principals at prices that include markups or markdowns, and may buy securities from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

In the event that the Company incurs a trade error, it is to be (i) corrected by the Company as soon as practicable, in a manner such that the Clients incur no loss and (ii) promptly reported to the Compliance Officer. Clients may retain any gains resulting from a trade error.

## **Review of Accounts**

All Separate Accounts are managed and reviewed monthly by Charles M. Diker, or more frequently as deemed necessary by Mr. Diker. The Funds are managed and reviewed by Mark N. Diker and/or the relevant portfolio managers on a daily basis, and periodically reviewed by Charles M. Diker. Cash management, market prospects, client risk tolerance and asset allocation are considered during such reviews.

Each of the Separate Accounts receives a monthly statement that shows the most current month end market value of all holdings and all transactions that occurred in the most current month directly from their respective custodian. Diker also provides a quarterly statement to clients. Clients are urged to compare the statements received from Diker to the statements received from their respective custodian. Separate Accounts can call Diker for updates and additional information on their accounts at anytime. Limited partners in the Funds receive quarterly unaudited capital statements from an independent third party administrator, Conifer Securities LLC that include the most current quarter-end market value and year-to-date performance as well as annual audited financial reports certified by independent public accountants within 120 days of the fiscal year end. Limited partners in the Funds also receive quarterly update letters from Diker and can call Diker for updates and additional information on their accounts at any time.



## **Client Referrals and Other Compensation**

The Company and its related persons do not compensate any individual or entity for client referrals. The Company previously entered into written agreements with unaffiliated third parties for soliciting new investors to the Funds. Such third parties are still compensated for these referrals however Diker no longer has active agreements with third parties to solicit new investors to the Funds.

## **Custody**

All client assets are held in custody by unaffiliated broker/dealers or banks; however Diker may have access to the assets of the Funds since it or a related person serves as the General Partner to the Funds. Limited partners of the Funds will not receive statements from the custodian. Instead, the Funds are subject to an annual audit and the audited financial statements are distributed to each limited partner. The audited financial statements will be prepared in accordance with generally accepted accounting principals and distributed within 120 days of the Funds' respective fiscal year ends.

Additionally, the Company can access the Separate Account funds through its ability to debit advisory fees. For this reason the Company is considered to have custody of certain Separate Account assets. The Separate Account's custodians send statements directly to the account owners on at least a quarterly basis. Separate Accounts should carefully review these statements, and should compare these statements to any account information provided by the Company.

## **Investment Discretion**

Diker has been granted the authority by the Funds and certain Separate Accounts to determine, without specific consent, the securities to be bought or sold and the amounts of those securities. Any limitations which might be placed on the Company with respect to security selection are detailed in the Investment Management Agreement for the Separate Accounts or governing documents for the Funds, as applicable.

## **Voting Client Securities**

In compliance with Rule 206(4)-6 under the Investment Advisers Act of 1940, the Company has adopted formal proxy voting policies and procedures (the “Policies”). The general policy is to vote proxy proposals, amendments, consents or resolutions relating to client securities, (collectively, “proxies”), in a manner that serves the best interests of the Clients, as determined by the Company in its discretion, taking into account the following factors: (i) the impact on the value of the investments; (ii) the anticipated associated costs and benefits; (iii) the effect on liquidity; and (iv) customary industry and business practices. Diker maintains full discretion over all proxy voting decisions involving the Clients. In limited circumstances, the Company may refrain from voting proxies where the Company believes that voting would be inappropriate taking into consideration the cost of voting the proxy and the anticipated benefit to the Clients

Separate Accounts and investors in the Funds may request a copy of the Policies, as well as applicable proxy voting records, by contacting the Company at (212) 904-0321.

## **Financial Information**

Diker has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.