

# **Rocaton Investment Advisors, LLC**

601 Merritt 7  
Norwalk, Connecticut 06851

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**This brochure, which meets the requirements of Form ADV, Part 2A, provides information about the qualifications and business practices of Rocaton Investment Advisors, LLC (“Rocaton”, “we”, “our” or “us”). If you have any questions about the contents of this brochure, please contact us at (203) 621-1700 and/or [marketing@rocaton.com](mailto:marketing@rocaton.com). You may also obtain more information by visiting [www.rocaton.com](http://www.rocaton.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

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

Rocaton is registered as an “investment adviser” with the SEC. Registration with the SEC and/or the use of the term(s) “registered investment adviser” and/or “registered” does not imply a certain level of skill or training.

**Item 2. Material Changes**

This brochure has been updated from the one dated March 26, 2013. This brochure has been updated in connection with the annual update of certain information included herein

As previously described in Rocaton's brochure, Rocaton manages the assets of Rocaton Absolute Return Partners, LLC ("RARP"), which is an unregistered pooled investment vehicle exclusively offered to partners of Rocaton. As stated in the last brochure update, a decision was made by the RARP management team to make no new investments on behalf of RARP and to begin a gradual wind down of RARP.

If you would like to receive additional copies of our brochure, please contact us by telephone at (203) 621-1700 or by e-mail at [marketing@rocaton.com](mailto:marketing@rocaton.com).

**Item 3. Table of Contents**

<b>Item Number</b>	<b>Item</b>	<b>Page Number</b>
1	Cover Page	Cover Page
2	Material Changes	1
3	Table of Contents	2
4	Advisory Business	3
5	Fees and Compensation	9
6	Performance-Based Fees and Side-By-Side Management	11
7	Types of Clients	11
8	Methods of Analysis, Investment Strategies and Risk of Loss	11
9	Disciplinary Information	15
10	Other Financial Industry Activities and Affiliations	15
11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	18
12	Brokerage Practices	19
13	Review of Accounts	20
14	Client Referrals and Other Compensation	21
15	Custody	21
16	Investment Discretion	22
17	Voting Client Securities	23
18	Financial Information	24

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

##### *A. General Description of Rocaton*

Rocaton is a Connecticut limited liability company that provides both non-discretionary and discretionary investment advisory services to retirement plans and their sponsors, financial services firms and other clients. These services may include one or more of the following: asset allocation analysis and advice; investment structure design; manager review, search and selection services; service provider review, search and selection services; ongoing program advice; and fee and expense analysis. Rocaton may also provide services and advice in other areas. Rocaton is an SEC-registered investment adviser established in 2002 and is wholly owned by 15 partners who continue to be actively engaged in the business, including 12 of the firm's founding partners.

##### *B. Description of Advisory Services*

Clients may select one or more of several advisory services that Rocaton provides, either on a non-discretionary or discretionary basis. The services discussed below are provided under both the non-discretionary and discretionary platforms, except as noted.

A client who receives non-discretionary investment advisory services (a "Non-Discretionary Client") only receives advice and recommendations from Rocaton. The Non-Discretionary Client remains ultimately responsible for all decisions, including, but not limited to, decisions related to asset allocation, program structure, manager selection, service provider selection, document review and transitions. Similarly, while Rocaton may assist a Non-Discretionary Client regarding fees and expenses, the client remains responsible for all negotiations and decisions regarding fees and expenses.

A client who receives discretionary investment advisory services (a "Discretionary Client") generally receives the same services as are provided to a Non-Discretionary Client, and, in addition, Rocaton, in its sole discretion, and operating within written investment guidelines established by the Discretionary Client may, (1) select specific funds, managers, investment products or investment organizations, (2) enter into and negotiates the terms and conditions of agreements related to the management of the Discretionary Client's assets, including investment management agreements and fund subscription or adoption agreements, (3) develop investment structures within each asset class or investment category, and/or (4) implement periodic rebalancing. Discretionary Clients typically retain responsibility for setting their strategic asset allocation targets, a process for which Rocaton can provide non-discretionary assistance. However, Rocaton may provide discretionary asset allocation services. It should be noted that Discretionary Clients may request partial discretionary services or full discretionary services. Throughout this brochure, any reference to services provided to a Discretionary Client assumes the Discretionary Client has requested the particular discretionary services being described.

The services will be tailored to the individual needs of the client and may include, but are not limited to, assisting clients in one or more of the areas listed below. Because the services provided are tailored to each individual client, the specific services set forth in the agreement apply to the particular client, not the general descriptions in this brochure.

## **1. Asset Allocation Analysis and Advice**

We work with clients to review the array of investable asset classes, both public and private, to identify a strategic asset allocation policy designed to result in an appropriate balance of risk and potential return for their portfolios. The asset allocation approach varies depending on the nature of the portfolio and the client's objective. For example, for a defined benefit pension plan, we may analyze both assets and liabilities of the plan to develop a strategic asset allocation approach for the plan. During this process, we identify available asset classes, we develop risk, return and correlation expectations for the asset classes, we consider client objectives, such as target-funded ratios, and we may project the liabilities of the plan. For other client portfolios, we consider client objectives, such as risk tolerances and investment horizons.

## **2. Investment Structure Design**

We assist clients with investment structure designs, which are the strategies used to implement an asset allocation policy. We work with clients to select among a wide variety of strategies (such as active, passive, traditional and alternative) and the methods for implementing those strategies (such as through separately managed accounts and various types of funds). We typically consider a wide range of factors based on our specific arrangement with the client and client objectives, such as risk, potential returns, and fees and expenses.

For example, we may assist clients with the design, implementation and monitoring of their defined contribution plans. In such cases, we assist plan sponsors in fulfilling their fiduciary responsibilities and in implementing programs and policies, often with a goal of improving participation rates, reducing expenses, and adjusting the mix of investment options for participants.

For Non-Discretionary Clients, we provide advice, and the client makes all final decisions, relating to investment structure. For Discretionary Clients, we may provide advice on certain investment structure issues, with the client making the final decision, but we may make certain decisions on behalf of the client. For example, for Discretionary Clients, we may develop investment structures within each asset class or investment category and determine which strategies should be used to implement an asset allocation policy. Similar to the process we use to assist Non-Discretionary Clients,

we select from a wide variety of strategies and methods for implementing those strategies on behalf of our Discretionary Clients.

We also work with financial services firms. For these firms we may develop model asset allocation portfolios, construct investment programs and/or select mutual funds, exchange-traded funds (“ETFs”), separate accounts, managers and sub-advisors. We work with financial services firms on products used in distribution to the retail market and those used in the institutional market. We tailor our approach to the specific needs of our clients.

Our alternatives research professionals provide advice on investments in private equity, real estate, and hedge funds.

### **3. Manager Review, Search and Selection**

We have a research team, which is focused on the analysis of available managers for a wide range of asset classes. We typically utilize a mixture of quantitative and qualitative analysis to review a manager’s organizational stability, investment process and historical performance to identify those managers and strategies which we believe are best matched to our clients’ risk and return expectations and are most likely to achieve client objectives on a forward-looking basis. We may also visit a manager onsite to attain better information about the manager and its processes. This manager research process is utilized for both Discretionary and Non-Discretionary Clients.

Specifically, we assist Non-Discretionary Clients in the review, search and selection of managers for their programs. At times, we also assist in a client’s manager interview process. Non-Discretionary Clients remain ultimately responsible for the selection of the manager, the review of documents and the negotiation and execution of related agreements.

For Discretionary Clients, we may search, select and review managers for their programs. We enter into and negotiate the terms and conditions of agreements related to the management of client assets, including investment management agreements and fund subscription or adoption agreements. Rocaton usually has the discretionary authority to terminate and replace managers on behalf of the Discretionary Clients.

### **4. Service Provider Review, Search and Selection**

We assist clients in the review, search and selection of a variety of service providers for their programs. Based on our analyses and client input, we may provide recommendations on recordkeepers, transition managers, trustees, custodians, managed account providers, administrative services providers and other providers. In addition, we may provide searches for, or evaluations of, retirement income or annuity-based

products. We may provide these additional services upon a client's request and for an additional fee. Absent special client arrangements, Rocaton does not monitor, participate in, or evaluate its clients' relationships with their custodians.

## **5. Ongoing Program Advice**

We work with a client to establish an approach for ongoing advice regarding the client's investment program. We tailor our approach for each client's specific requirements, and the approach is set forth in the agreement for each client. Our ongoing program advice may include periodic performance and risk reporting and updates on the managers and funds used in the program. These reports may be customized for each client.

## **6. Fee and Expense Analysis**

When specifically agreed to by Rocaton and a client, Rocaton may provide advisory services related to retirement plans, investment options and manager fees and expenses. These services may include, but are not limited to, analysis of specific manager fees, comparative analysis of fees and expenses, and analysis of components of fees and expenses. For Discretionary Clients, Rocaton usually negotiates the terms of investment management agreements, including the fees to be paid thereunder by the Discretionary Client. In providing these and other services to its clients, Rocaton is not responsible for preparing and providing plan and investment-related information to participants and beneficiaries in participant-directed individual account plans as required by the participant disclosure regulations issued under Section 404(a) of ERISA. Rocaton is also not responsible for preparing and providing to plan sponsors information about the services to be performed by third party service providers and the fees and compensation to be received by such services providers as required by Section 408(b)(2) of ERISA. Rocaton will provide the relevant clients with the required information about Rocaton's own services.

Rocaton's investment advisory services include providing general investment advice on investing in a wide range of asset classes (*e.g.*, fixed-income securities, equity securities). Although Rocaton does not provide advice on individual company securities, we do provide advice regarding specifically identified funds (*e.g.*, mutual funds, ETFs, bank collective funds, real estate funds, hedge funds and fund-of-funds).

Non-Discretionary Clients remain responsible for all decisions, including but not limited to asset allocation, program structure, manager selection, service provider selection, document review and transitions. Similarly, while Rocaton may assist a Non-Discretionary Client regarding fees and expenses, the client remains responsible for all negotiations and decisions regarding fees and expenses. Rocaton provides services related to fees and expenses only when

specifically agreed to by Rocaton and a Non-Discretionary Client and not as part of its general ongoing program performance and manager advice.

Discretionary Clients remain responsible for certain decisions, including but not limited to asset allocation and service provider selection under most discretionary arrangements. Rocaton, in its sole discretion, and operating within written investment guidelines established by the Discretionary Client usually, (1) selects specific funds, managers, investment products or investment organizations, (2) enters into and negotiates the terms and conditions of agreements related to the management of the Discretionary Client's assets, including investment management agreements and fund subscription or adoption agreements, (3) develops investment structures within each asset class or investment category and/or (4) implements periodic rebalancing. Discretionary Clients typically retain responsibility for setting their strategic asset allocation targets, a process for which Rocaton can provide non-discretionary assistance. Similarly, Discretionary Clients with DC plans may retain responsibility for setting their investment structure (e.g., the number and types of investment options to be offered). However, Rocaton may provide discretionary asset allocation services.

Rocaton negotiates on behalf of some Discretionary Clients the fees and expenses to be paid under investment management agreements. While Rocaton may assist a Discretionary Client regarding other fees and expenses, the client remains responsible for all decisions regarding the other fees and expenses. Rocaton provides services related to other fees and expenses only when specifically agreed to by Rocaton and a Discretionary Client and not as part of its general ongoing program performance and manager advice. Client-specific objectives may be taken into account when selecting a fee structure for an investment manager, such as a desire to have or to not have "revenue sharing" as part of a fund's expense ratio in a defined contribution program.

Rocaton established a committee (the "Investment Committee") which is empowered with the decision making responsibility for the discretionary aspects of any Rocaton client relationship. The Investment Committee is appointed by Rocaton's Board of Managers. The Investment Committee is currently comprised of five Rocaton partners, with representation from Rocaton's manager research group, asset allocation research group and investment consulting group. Typically, the Investment Committee meets at least twice monthly to review and, as appropriate, make decisions on Rocaton's discretionary consulting programs. The Investment Committee focuses on discretionary services provided to institutions and financial intermediaries. Specific responsibilities of the Investment Committee for the discretionary programs include, but are not limited to, investment structure and design, selection and monitoring of active and passive investment strategies, and/or portfolio rebalancing strategies. For certain discretionary or non-discretionary investment advisory services offered to financial intermediaries or when otherwise agreed upon with a Discretionary Client, the Investment Committee also has responsibility for asset allocation decisions or advice for those specific clients.

Rocaton does not provide to any client legal advice (including, but not limited to, legal advice regarding fees and expenses and disclosure obligations to plan sponsors or plan participants) or tax, benefit plan design, actuarial, audit or accounting services or advice. Rocaton does not provide services relating to individual company securities, including any securities issued by the client or its affiliates, the performance of individual company securities within a client's investment program and/or the appropriateness of individual company securities allocations within any client's investment program. Rocaton also does not provide monitoring or reporting on defined contribution mutual fund windows or brokerage windows, or the operation or administration of any plan. In addition, for Non-Discretionary Clients, Rocaton does not conduct audits of investment managers or verify compliance of investment managers with portfolio guidelines or restrictions. However, for Discretionary Clients for whom Rocaton provides manager selection services, Rocaton will periodically review compliance of investment managers using separate accounts with portfolio guidelines and restrictions in accordance with the agreement with the Discretionary Client.

Rocaton only provides services on a recurring basis when each such service has specifically been agreed to by both a client and Rocaton as being a recurring service.

#### *C. Tailoring of Advice to Clients*

Rocaton generally tailors its investment advisory services to each client's individual needs. In discussing with a client the services to be provided, we may consider, where relevant and among other things, the particular client's investment objectives, specific preferences or constraints, asset/liability profile and/or investment horizon and risk tolerance. The services provided to each client are set forth in an agreement between Rocaton and the client, which is tailored for each client. Discretionary Clients must provide Rocaton with any specific investment restrictions in writing. Non-Discretionary Clients, however, generally work with each of their investment managers to discuss restrictions on any specific investments that they may request. To the extent applicable, Rocaton will consider any client requests for reasonable restrictions on the types of investments for which it provides advisory services.

#### *D. Participation in Wrap Fee Programs*

Rocaton does not currently sponsor, act as a portfolio manager or otherwise participate in any wrap fee programs.

#### *E. Client Assets*

Rocaton provides advisory services for clients with assets totaling approximately \$405,626,600,000 (based on market values as of December 31, 2013). For a limited number of clients, the market values used for purposes of this calculation may be based on the most recently available information (prior to December 31, 2013), or based upon estimates provided directly by the clients. Rocaton manages \$400,449,800,000 of client assets on a non-

discretionary basis (based on market values as of December 31, 2013). Also, Rocaton provides advice regarding \$5,176,800,000 of client assets on a discretionary basis (based on market values as of December 31, 2013). For purposes of this calculation, client assets managed on a discretionary basis include assets for which we provide partial discretionary services or full discretionary services.

In addition, and not included in the above figures, as of December 31, 2013, Rocaton manages on a discretionary basis the assets of Rocaton Absolute Return Partners, LLC (“RARP”), which is an unregistered pooled investment vehicle exclusively offered to partners of Rocaton. As of December 31, 2013, RARP had net assets totaling approximately \$245,000[.]. It should be noted that the RARP management team decided in 2013 to make no new investments on behalf of RARP and to begin to wind down RARP. Given the long holding periods of some of the investments, the winding down of RARP may take several years.

## **Item 5. Fees and Compensation**

### *A. General Description*

Rocaton does not have a set fee schedule. Instead, because the services provided by Rocaton vary from client to client, fees are based on an individualized arrangement with each client. This typically takes the form of a base fee charged to a client with additional fees charged for certain additional services selected. Fees are generally a flat dollar fee, fixed fee or variable fee based on a set percentage of the client’s net assets for which Rocaton provides advisory services. Fees are generally payable on a quarterly basis, in advance on the first day of the quarter.

Advisory agreements also generally provide that a client will reimburse Rocaton for certain types of expenses.

Generally, arrangements initiated or terminated during a calendar quarter are charged a prorated fee and, in most instances, a client may terminate an advisory agreement without a penalty. In this regard, the agreements generally provide each party with a right to terminate upon certain advance written notice, and that the client shall not be responsible for fees applicable to the period following the effective date of any termination. This “effective date” is generally different than the date the notice of termination is provided, as the agreement typically includes a minimum notice period (often between 30 to 90 days). In some cases, however, there may be a minimum fee or a minimum term of the agreement. Because each agreement is customized to the specific client arrangement, the terms may vary from the general terms described herein. In all cases, the terms of a client’s agreement govern the rights of each party, not the general descriptions included in this document.

As part of its advisory services, Rocaton provides to its clients a variety of publications and reports. These publications and reports are not issued by Rocaton on a subscription basis, and

there is no separate fee for any such publications or reports (other than the overall fee agreement negotiated between Rocaton and each client).

#### *B. Advisory Fee Deductions*

Rocaton does not deduct its fees and expenses directly from client assets. Instead, Rocaton's fees and expenses are generally billed and invoices submitted to clients quarterly. Rocaton's fees that are based on net assets are generally calculated as of a specific date (usually quarter end). These fees are typically based on the aggregate market value of all assets for which Rocaton provides advice, including but not limited to cash, cash equivalents, securities and accruals. These asset-based fees are typically used to calculate fees for the forthcoming quarter and, accordingly, billing for such accounts is generally made in advance. For other arrangements, including fixed-fee arrangements, payments are generally required in advance on the first day of the quarter. The specific manner in which Rocaton's fees are charged is established in a client's written advisory agreement with Rocaton. The advisory agreement may also specify any additional fees for late payments.

#### *C. Other Fees or Expenses*

Clients are not charged any fees or expenses by Rocaton other than those identified in Items 5(A) and 5(B).

Clients may pay fees and expenses to entities other than Rocaton with respect to their investment accounts. For example, clients may incur transaction charges for trades executed in their accounts. These transaction fees are separate from our fees and will be disclosed by the firm through which the trades are executed. Also, clients will pay other expenses to third parties, which we do not receive any part of, including fees and charges imposed directly by an investment manager or by a fund (e.g., mutual funds, closed-end funds, ETFs, hedge funds, and real-estate funds); custodian fees for holding client assets; and other administrative or service provider fees. Discretionary Clients pay investment management fees to investment managers selected by Rocaton to manage a portion of the Discretionary Client's assets, which are in addition to the fees paid to Rocaton for providing its discretionary investment advisory services.

#### *D. Prepaid Fees and Refunds*

As noted above, Rocaton may charge clients in advance of the calendar quarter for which it provides the advisory services. In the event that a client terminates an investment advisory agreement effective prior to the provision of such services by Rocaton, a refund will be made where a client has been billed "in advance," has made a full period payment to Rocaton and has terminated its investment advisory agreement in writing effective as of a date before the end of the billing period. This "effective date" is generally different than the date the notice of termination is provided, as the agreement typically includes a minimum notice period (often between 30 to 60 days). In such cases, where investment advisory services have ended prior to

the last day in the billing period, the investment advisory fee is prorated according to the number of days in the billing period that the advisory agreement was in effect, unless the advisory agreement provides otherwise. Advisory fee refunds are initiated by Rocaton and are generally made by check.

#### *E. Compensation for Sale of Securities or Other Investment Products*

All of Rocaton's revenue comes from its clients. Neither Rocaton nor any of its supervised persons (*i.e.*, partners, managers, employees, or any other person who provides investment advice to a client on Rocaton's behalf), receives compensation for the sale of securities or other investment products to Rocaton's advisory clients. In this regard, Rocaton is not paid and does not receive any economic benefit from a non-client in connection with giving advice to any client. In addition, Rocaton is not directly or indirectly compensated by any person for client referrals. For example, Rocaton does not receive referral fees from investment managers, nor does it sell products or services such as databases, analytical services and client conference sponsorship opportunities to investment managers. Some of Rocaton's clients, however, are financial services firms (or products and plans sponsored by such financial services firms), which may have investment manager affiliates that we may evaluate, recommend or select. In addition, in the fall of 2010, the then current- partners of Rocaton purchased a small minority equity interest in the parent company of IndexIQ, a provider of index-based alternative investments available through ETFs, mutual funds and managed accounts. More detail regarding these relationships, the potential conflicts of interest these relationships could create, and Rocaton's conflict of interest procedures is provided in Item 10(D) below.

#### **Item 6. Performance-Based Fees and Side-by-Side Management**

Neither Rocaton nor any of its supervised persons (*i.e.*, partners, managers, employees, or any other person who provides investment advice to a client on Rocaton's behalf) charge any performance-based fees (*i.e.*, fees based on a share of capital gains on or capital appreciation of the assets of a client) on client accounts or assets, notwithstanding the fact that some of Rocaton's clients pay an asset based fee.

#### **Item 7. Types of Clients**

Rocaton provides investment advisory services to retirement and profit sharing plans and/or the entities that sponsor or oversee them, financial services firms and/or the funds they sponsor, charitable organizations, corporations or other businesses and state or municipal government entities, banking or thrift institutions, investment companies, trusts, estates, high-net worth individuals and family offices.

Currently, Rocaton does not impose any requirements on establishing a client relationship, such as any minimum amount of assets covered by the agreement.

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

### *A. Methods of Analysis and Investment Strategies*

Rocaton uses a variety of methods of analysis and investment strategies in providing investment advisory services to its clients. Set forth below is a summary of key methods of analysis and investment strategies used for Rocaton's current primary services, listed in Item 4(B) above. Because the services provided are tailored to each individual client, the specific services set forth in the agreement apply to the particular client, not the general descriptions in this brochure.

*Asset Allocation Advice.* In developing our asset allocation recommendations, we use proprietary risk, return and correlation assumptions to assess the expected risk and expected return of different asset mixes over a wide variety of market environments to determine a recommended balance of expected risk and expected return, typically focused on the long-term. Specifically, we often utilize a Monte Carlo portfolio optimization process, known as re-sampling, to forecast risk and return inputs over a wide range of scenarios. Recommended allocations are generally based on forecasted risk and forecasted return characteristics of various mandates, including expected volatility and correlation of returns, liquidity and transaction costs, as well as on client objectives. Each of these characteristics is based on underlying assumptions that are periodically updated and may be reassessed at the time that such assumptions are updated. This process allows us to arrive at allocations that, we believe, are both robust and intuitive and which project the impact of various market environments on expected client-specific results. Much of this analysis is based on long-term forward looking assumptions or expectations, and there is no guarantee that these forward looking assumptions or expectations will be realized. We provide advice at a portfolio or strategy level and not with respect to individual company securities.

*Investment Structure Design.* For our Non-Discretionary Clients, we review and recommend investment structures on behalf of each client by asset class. We then evaluate and recommend exposure to different types of investment strategies within each asset class, such as a recommended mix of active/passive, value/growth and large-/mid-/small-cap mandates. These recommendations are based on client objectives and input (e.g., risk, expected returns and fees and expenses). In addition, we may utilize our alternatives research professionals to identify and recommend specific investments in private equity, real estate and hedge funds. We work with clients to select among a wide variety of active, enhanced, and passive strategies, paying attention to incremental costs and risks contributed by these strategies. Our goal is to recommend an investment structure with an appropriate balance of expected risk and expected return. For our Discretionary Clients, we may review and develop investment structures on behalf of each client by asset class. In addition, we may evaluate and decide the exposure to different types of investment strategies. These decisions are based on client objectives.

*Manager Review, Search and Selection.* Our research team focuses on analyzing various investment managers including, as appropriate, their strategies, levels of service and past performance. Generally, we utilize a mixture of quantitative and qualitative analysis to review managers' organizational stability, investment processes, and historical performance. The review is often performed in consultation with the managers and may involve onsite reviews of managers. For Non-Discretionary Clients, we provide advice to such clients in connection with the selection of investment managers generally, as well as recommendations to add, remove or replace investment managers. For certain Non-Discretionary Clients, we also may provide lists of recommended managers or funds for particular asset classes. For Discretionary Clients, we may, in our sole discretion, select, add and replace investment managers. In addition, as permitted by client guidelines, Rocaton can make commitments to private partnerships and other illiquid alternative investments such as real estate, private equity and hedge funds.

*Service Provider Review, Search and Selection.* When specifically agreed to by Rocaton and a client, Rocaton will review service providers using a mixture of quantitative and qualitative analysis using information that we acquire from various sources. We typically review, among other things, the capabilities and efficiency of such service providers, the relative costs of such service providers and their experience level, with the goal of recommending the hiring, retention or replacement of a service provider. Unlike the manager selection services described above, for Discretionary Clients we only recommend service providers to Discretionary Clients. We do not enter into or negotiate agreements with service providers on behalf of clients.

*Ongoing Program Advice.* We provide periodic reviews of client investment programs and their investment managers to enable clients to confirm whether their current strategies and managers are meeting expectations, whether the total portfolio continues to be adequately diversified and whether the risk characteristics of the portfolio are appropriate. We tailor our reviews based on each client's specific requirements and analyze sources of over- and under- performance using our internal analytics. We obtain information about investment programs and managers through a variety of sources, including from clients, investment managers and third parties. We may attend clients' investment committee meetings. The scope of our ongoing program review, including the frequency of reporting and manager review, is based on the agreement between Rocaton and each client. We may draft periodic performance and risk reports and/or analyses of the managers and funds used in the program. In addition, we may provide access to client education and research papers.

*Analysis of Fees and Expenses.* When specifically agreed to by Rocaton and a client, Rocaton may provide advisory services related to retirement plans, investment options and manager fees and expenses. These services may include, but are not limited to, analysis of specific manager fees, comparative analysis of fees and expenses, and

analysis of components of fees and expenses. We base these services on information and research that we acquire or perform on various plans, investment options and managers.

***Clients should be aware that investing in securities (including for example, funds, partnerships and any other type of investment) involves risk of loss that clients should be prepared to bear.***

#### *B. Material Risks of Loss*

As noted in Item 4(B), Rocaton provides a variety of investment advisory services. The material risks for each significant investment strategy or method of analysis employed by Rocaton as listed in Item 8(A) are listed below. Depending on the services selected by a client, the individual characteristics of that client and the investment objectives and strategies employed by such client, there may be other risks that may be associated with the investment advisory services provided by Rocaton (including risks associated with the various kinds of investments recommended). Clients should not assume that future performance of any specific investment strategy or investment will be profitable or equal to prior performance levels.

*Management Risk.* When an investment adviser provides tailored investment advice to clients based on its investment skills and analytical abilities, there is a chance that such investment advice will not be successful or will not meet expectations and that subjective decisions made by such investment adviser may cause a client to incur losses or to miss profit opportunities.

*Asset Allocation Risk.* Asset allocation risk is the risk that an investment adviser may allocate or recommend the allocation of a client's assets to an asset class or mandate that underperforms other asset classes or mandates. For example, fixed-income securities may underperform equities at times, and at other times, equities may underperform fixed-income securities. In addition, some asset classes may be less liquid or provide less protection against various risks than other asset classes.

*Investment and Market Risk.* All investment decisions and recommendations are subject to investment risk, including the possibility that one could lose his or her entire principal amount. A decision or recommendation to invest in a particular manager or strategy also may involve market risk, which is the risk that the value of any investment or allocation, like other market investments, may move up or down, sometimes rapidly, unpredictably and possibly outside the range of expectations.

*Information Risk.* When investment advice is based on information received from clients, investment managers and/or other third parties, there is a chance that such information may be materially inaccurate. In this regard, investment advisers may rely significantly on the accuracy and completeness of the information provided by clients and third parties

without independent verification of such information. For example, an investment adviser may not conduct a forensic audit of another investment manager or investment product from another investment manager that it recommends. In addition, an investment adviser may not be able to detect fraud by another investment manager. Likewise, an investment adviser may not ensure that an investment manager is complying with stated guidelines that have otherwise been disclosed.

### *C. Recommendations of a Particular Type of Security*

Rocaton does not primarily recommend any particular type of security. Rocaton may generally provide investment advice about investment funds, which are securities, but does not provide advice regarding individual company securities.

### **Item 9. Disciplinary Information**

We have determined that neither Rocaton nor its management persons have had any legal or disciplinary events that must be reported under this item (as described below).

Pursuant to this item, Rocaton is required to disclose whether there are legal or disciplinary events that are material to a client's or a prospective client's evaluation of our investment advisory business or the integrity of our management. In this regard, the SEC has identified several specific legal and disciplinary events, which do not constitute an exhaustive list, of events that are presumed to be material. Each registered investment adviser must disclose whether it or a management person (*i.e.*, a person with the power to exercise a controlling influence over the investment adviser's management or policies, or to determine the general investment advice given to clients of the firm) has engaged in any act, omission, aiding, abetting, counseling, commanding, inducing, conspiring with, or failing to supervise another in one of these events for ten years following the date of the event, unless (1) the event was resolved in the investment adviser's or the management person's favor, or was reversed, suspended or vacated, or (2) the investment adviser or management person rebutted the presumption of materiality to determine that the event is not material. The ten-year period is generally the date that the final order, judgment or decree was entered or the date that any rights of appeal from preliminary orders, judgments or decrees lapsed and may not matter if the event is so serious that, even after such period, it remains material to a client's or a prospective client's evaluation.

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

#### *A. Broker-Dealer or Registered Representative Registration*

Neither Rocaton nor any of its management persons (*i.e.*, a person with the power to exercise a controlling influence over Rocaton's management or policies, or to determine the general

investment advice given to clients of the firm) are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

*B. Futures Commission Merchants, Commodity Pool Operator or Commodity Trading Advisor*

Neither Rocaton nor any of its management persons are registered, or have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.

*C. Material Business Relationships*

We are required to list any relationship or arrangement that is material to our investment advisory services or to our clients that we or any of our management persons have with certain identified related persons (*i.e.*, officers, managers, partners, employees and all persons directly or indirectly controlling or controlled by or under common control with us).

In this regard, Rocaton serves as investment adviser to RARP, which is an unregistered pooled investment vehicle designed to provide the partners of Rocaton with an opportunity to invest in certain hedge funds, private funds and other investments. The only persons who may invest in RARP are partners of Rocaton. Because of the partners' ownership interests in RARP, the management of RARP may create a potential conflict of interest between Rocaton and clients in that there may be an incentive to favor the performance of RARP over that of clients or to recommend securities to clients that are held by RARP. To limit these potential conflicts, RARP may only invest in funds that, as of the time of RARP's investment, Rocaton rates as "buy" for its other clients (regardless of whether any clients have invested in those funds). Furthermore, if RARP determines to make a complete redemption from a fund, Rocaton will notify any and all clients, if any, invested in that same fund at least two weeks prior to the redemption by RARP. There will be no further notifications because all redemption requests from relevant funds have been made. As noted previously, the RARP management team has determined to make no new investments on behalf of RARP and to wind down RARP.

*D. Recommendation and Selection of Other Investment Managers/Advisers*

For Non-Discretionary Clients, we recommend and assist in the selection of investment managers for our clients. For Discretionary Clients, we may select investment managers and negotiate and enter into agreements directly with those investment managers on behalf of the clients. We do not receive any compensation from such investment managers or their affiliates because of any recommendation or selection.

Some of Rocaton's clients are financial services firms which may be related to investment manager affiliates that we may evaluate, recommend or select. Typically, these financial services firms have engaged Rocaton as an investment consultant to advise them on their employees' retirement funds or sub-advised or third-party investment products they oversee on behalf of their clients. Rocaton may also serve as an investment adviser to funds these firms

sponsor. Although we do not recommend managers based on any relationship we may have with them or their affiliates, the relationship creates a potential conflict of interest for Rocaton or its supervised persons to recommend securities or investment products from these entities. To address the potential conflict, our relationship with any client is based on the services we perform, not any recommendation or referral we provide to our other clients. In addition, we provide each client with a list of other Rocaton clients that are known to be affiliated with managers that we monitor, recommend to or select on behalf of that client, if any. The list includes affiliations known to us to constitute at least a majority ownership interest.

Rocaton may also have other corporate clients which are owned in whole or in part by private equity firms or hedge funds or affiliated with such firms or funds. Rocaton may also have other corporate clients whose publicly-traded securities are held by various investment management firms or by entities affiliated with investment management firms. Rocaton has established a 401(k) plan and a cash balance retirement plan for its partners and employees. The Rocaton Benefits Committee makes the investment decisions for the cash balance plan, including asset allocation and manager selection and the Benefits Committee chooses the investment options for the 401(k) plan. As noted above, to address the potential conflict, our relationship with any client is based on the services we perform, not any recommendation or referral we provide.

In the fall of 2010, the then-current partners of Rocaton purchased a small minority equity interest in the parent company of IndexIQ, a provider of index-based alternative investments available through ETFs, mutual funds and managed accounts. The investment was made through the formation of RQ Holdings, LLC, which is wholly owned by such partners of Rocaton. While Rocaton will have no role in IndexIQ's business management, Rocaton may collaborate with IndexIQ on investment product development, which may include ETFs, mutual funds and managed accounts. As of the date of this brochure, no such products have been launched. This ownership interest could create a potential conflict of interest if Rocaton were to recommend IndexIQ products to Rocaton clients. If and when Rocaton recommends an IndexIQ product to a client, Rocaton will provide disclosure to that client of the investment in the parent company of IndexIQ. To date, Rocaton has not recommended an Index IQ product to a client.

Due to the fact that Rocaton has multiple clients and each client has different investment objectives and restrictions, there may be situations in which investment advice given to one client is different than the advice given to another client. In such situations, Rocaton takes into account a particular client's investment objectives and restrictions and acts in the best interest of the client. Also, there may be situations when the Rocaton Research team ("Research") changes its rating on a specific fund, manager, investment product or investment organization. In these situations, Rocaton will notify all of its clients who are invested in the specific fund or using the manager, investment product or investment organization of the rating change. Regardless of the rating or rating change, Non-Discretionary Clients have the option to continue investing in the specific fund or using the specific manager, investment product or investment organization or to select a different fund, manager, investment product or

investment organization. For Discretionary Clients, Rocaton makes the decision whether to continue investing in the specific fund or using the specific manager, investment product or investment organization or to select a different fund, manager, investment product or investment organization. In the event of a downgrade, for a Discretionary Client, Rocaton will determine what action to take regarding the fund, manager, investment product or investment organization. Rocaton can make changes for Discretionary Clients for reasons which may not include a rating change. Changes for a Discretionary Client take into account a variety of factors, including ratings and client-specific factors, such as program structure and client objectives. Therefore, Rocaton may make changes for Discretionary Clients without notification to other clients.

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

*A. General Description of Our Code of Ethics*

Partners and employees of Rocaton may engage in personal trading of securities. Rocaton, however, has adopted a personal trading code of ethics (the “code”), which governs the personal trading by all Rocaton partners and employees (collectively, “access persons”). The code requires each access person to handle his or her personal securities transactions in such a manner so to avoid any actual or potential conflict of interest or any abuse of his or her position of trust and responsibility. The code establishes a restricted list of securities, and access persons are prohibited from trading securities on that list. Under the code, access persons prepare and submit to Rocaton’s Chief Compliance Officer periodic reports of personal trading. The code includes insider trading policies and procedures, which prohibit access persons from trading securities while in possession of material non-public information.

The personal trading code includes provisions related to ratings downgrades of mutual funds, investment strategies and portfolio management teams. In particular, when Research downgrades a specific mutual fund (*e.g.*, buy to hold, buy to not broadly recommended, hold to sell, not broadly recommend to sell or buy to sell), Research notifies all access persons, and access persons may not, for 14 days after the notification, sell shares in any mutual fund sponsored by the relevant investment manager that utilizes that investment strategy or is managed by that portfolio management team. Rocaton will provide a copy of the code to any client or prospective client upon request.

Rocaton makes available to its partners and employees a 401(k) and profit sharing retirement plan. The retirement plan makes available investment options, such as mutual fund shares, that Rocaton may recommend to clients. Personal trading in the retirement plan, like all personal trading, is subject to restrictions and reporting under the personal trading code described above.

Rocaton has also established a cash balance retirement plan for its partners and employees. Under the plan, Rocaton contributes a certain dollar amount that for eligible employees is tied

to a percentage of the employee's compensation, and the Rocaton Benefits Committee makes the investment decisions for the plan, including asset allocation and manager selection. Participants under the plan are guaranteed a minimum return, and the Committee invests in mutual funds and other investments in light of those guarantees. In managing the plan, the Committee follows the 14-day delay provision set forth above related to downgrades for a mutual fund or a manager, unless a more prompt sale is required for administrative or fiduciary reasons.

*B. Recommendations in which Rocaton or its Related Persons may have a Material Financial Interest*

In addition to the disclosure in Item 11(A) above, Rocaton may buy or sell fund securities on behalf of RARP that it may also recommend to its clients. As noted above, Rocaton may, on behalf of RARP, only purchase securities or investments it rates as "buy" for its other clients, regardless of whether any clients have invested in those funds. Furthermore, if RARP determines to make a complete redemption from a fund, Rocaton will notify any and all clients, if any, invested in that same fund at least two weeks prior to the redemption by RARP. As stated above, there will be no further notifications because all redemption requests from relevant funds have been made.

Rocaton does not, however, engage in purchase or sale transactions, as principal, with clients. Rocaton also does not act as general partner in any partnership in which it solicits client investments and does not recommend investment in any securities of which it serves as investment adviser. As noted previously, the RARP management team has determined to make no new investments on behalf of RARP and to wind down RARP.

*C. Recommendations of the Same Securities Invested in by Rocaton and/or its Related Persons*

See Item 11(A).

*D. Recommendations of Securities to Clients at the Same Time Rocaton and/or its Related Persons Invest*

See Item 11(A).

**Item 12. Brokerage Practices**

*A. Selecting Brokerage Firms*

Rocaton does not have any brokerage discretion with respect to any clients. Rocaton does not engage in any "soft dollar" arrangements with broker-dealers. Investment managers retained by both Non-Discretionary Clients and Discretionary Clients of Rocaton have discretion to determine which broker-dealers are used to effect client transactions. The investment managers undertake to exercise brokerage discretion in a manner consistent with their obligation to

obtain best execution. Clients should review each investment manager's Form ADV Part 2A regarding the investment manager's trading practices and use of client commissions.

From time to time, Rocaton provides clients with advice relating to broker-dealers and brokerage generally and specifically in regard to transition management services and commission recapture programs clients may consider or establish with third parties. Rocaton receives no compensation from any broker-dealers or transition managers with respect to the advice Rocaton provides to clients. Instead, Rocaton receives fees only from its clients.

Rocaton has investment discretion with respect to RARP. RARP is not available to the public but instead is available only to partners of Rocaton. RARP invests in private funds and therefore does not use brokerage firms.

#### *B. Aggregation of Client Orders*

As stated above, Rocaton does not have brokerage discretion. Therefore, Rocaton does not aggregate orders for various client accounts, nor does it have the opportunity to do so.

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

#### *A. Periodic Review of Client Accounts*

Rocaton typically assigns one or more partners or managing directors as the individual or individuals primarily responsible for each client, including reviews of the client relationship. The number of client accounts for which such individual has primary responsibility varies by individual. Services vary from client to client, but Rocaton typically provides quarterly reporting to clients. Client accounts are reviewed periodically in conjunction with each client. The nature and frequency of reviews of client accounts are set on an individual basis but are conducted, on at least an annual basis, through a committee review process involving Rocaton partners and employees in addition to those with primary responsibility for the client. These reviews may be based on each client's objectives, investment strategies and other relevant factors.

#### *B. Non-Periodic Review of Client Accounts*

Rocaton may review client accounts more frequently than on an annual basis, as may be triggered by various factors such as significant contributions to or distributions from an account, changing economic or market conditions, or revised client objectives.

A client should also inform Rocaton if any of its investment objectives or circumstances change that would warrant a re-evaluation of such client's account.

#### *C. Regular Reports to Clients*

The nature and frequency of regular reports to clients are set on an individual basis with each client. In general, written quarterly reports are provided to clients. In addition, oral or special reports may be provided as appropriate or as agreed to. Rocaton has developed a series of templates for manager performance review and assessment. These templates may be customized for each client as mutually agreed by Rocaton and the client.

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

##### *A. Third-Party Payments*

Rocaton does not currently have a relationship with any entity or person (not a client) that provides an economic benefit to Rocaton for providing investment advice or other advisory services to our clients, such as sales awards or prizes.

##### *B. Retention of Solicitors*

Rocaton does not currently compensate any person for any client referral.

#### **Item 15. Custody**

Rocaton does not have custody of any client assets, except RARP, an investment pool available only to individuals who were Rocaton partners at the time of investment. As noted previously, the RARP management team has determined to make no new investments on behalf of RARP and to wind down RARP.

Rocaton may be deemed to have custody of the assets held by RARP. RARP is an unregistered pooled investment vehicle designed to provide the partners of Rocaton with an opportunity to invest in certain funds and other investments. Because RARP is subject to an annual audit, and the audited financial statements are distributed to RARP investors, no RARP statements are sent to investors by any separate qualified custodian. RARP statements are delivered by RARP itself.

Rocaton does not have custody of Discretionary Clients' funds or securities. Rocaton's authority to direct a Discretionary Client's custodian at most includes (a) allocating Discretionary Client funds or securities to and among investment options and (b) paying investment managers (none of whom are affiliated with Rocaton) advisory fees earned for managing a portion of the Discretionary Client's funds and/or securities. Rocaton's general practice is: (1) to reflect this limited authority in the advisory agreement with the Discretionary Client; (2) to endeavor to obtain from the Discretionary Client (and provide to the custodian and any investment funds in which assets of the Discretionary Client are invested) a direction

notice from the Discretionary Client that the custodian and the investment fund shall not deliver any funds or securities of a Discretionary Client to Rocaton; and (3) to ensure that Rocaton is not authorized to receive, hold or obtain possession of any funds or securities of the Discretionary Client.

Rocaton is not authorized to direct the Discretionary Client's custodian to pay Rocaton its advisory fees earned for managing the Discretionary Client's funds and/or securities. Instead, Rocaton sends an invoice to the Discretionary Client, who then may direct its custodian to pay Rocaton such advisory fees.

#### **Item 16. Investment Discretion**

Rocaton currently has investment discretion with respect to Discretionary Client accounts and RARP.

A client may elect to receive discretionary investment advisory services from Rocaton. The client grants Rocaton discretionary authority by entering into a discretionary investment services agreement with Rocaton and providing Rocaton with any additional requested documents memorializing the discretionary authority that Rocaton may exercise over the client's account. A client who receives discretionary investment advisory services generally receives the same services as are provided to a Non-Discretionary Client, and, in addition, Rocaton, in its sole discretion, and operating within written investment guidelines established by the Discretionary Client usually, (1) selects specific funds, managers, investment products or investment organizations, (2) enters into and negotiates the terms and conditions of agreements related to the management of the Discretionary Client's assets, including investment management agreements and fund subscription or adoption agreements, (3) develops investment structures within each asset class or investment category and/or (4) implements periodic rebalancing. Discretionary Clients typically retain responsibility for setting their strategic asset allocation targets, a process for which Rocaton can provide non-discretionary assistance. However, Rocaton may provide discretionary asset allocation services upon a client's request.

The underlying investment managers selected by Rocaton to manage a specific portion of a client's account have investment discretion to determine, with respect to the specific portion of the account, typically:

- The total amount of securities or other investments to buy or sell;
- The broker or dealer through whom securities are bought or sold;
- How to vote the proxies for the securities underlying the investment that Rocaton made on behalf of the Discretionary Client;
- The commission rates at which securities or other investment transactions for the client account are effected; and

- The price at which securities or other investments are to be bought or sold, which may include dealer spreads or mark-ups and transaction costs.

Rocaton also has investment discretion with respect to RARP. As stated above, interests in RARP are not available to the public, but rather were available only to partners of Rocaton. RARP is subject to investment restrictions discussed in Item 10(C) above, including restrictions limiting Rocaton to investing and selling fund securities that it has recommended to its clients. Also, Rocaton may, on behalf of RARP, only purchase securities or investments it rates as “buy” for its other clients, regardless of whether any clients have invested in those funds. As noted previously, the RARP management team has determined to make no new investments on behalf of RARP and to wind down RARP.

## **Item 17. Voting Client Securities**

### *A. Authority to Vote Client Securities*

Rocaton does not vote any client proxies for Non-Discretionary Clients, and Non-Discretionary Clients may not direct Rocaton to vote on their behalf in a particular proxy solicitation.

Rocaton does vote client proxies for each Discretionary Client who elects to delegate to Rocaton the responsibility to vote proxies for investments that Rocaton makes directly on behalf of the Discretionary Client. It is currently expected that the only investments for which Rocaton will be called upon to vote will be fund investments, including registered investment companies. As discussed in Item 17.B. below, Rocaton does not vote client proxies for a Discretionary Client for investments made by investment managers selected by Rocaton to manage a portion of a client’s assets.

Rocaton follows written proxy voting policies and procedures (the “Proxy Voting Policies and Procedures”) that it believes are reasonably designed to ensure that proxies are voted in the best interests of a Discretionary Client as shareholder, in accordance with Rocaton’s fiduciary duties and Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended. The general principle underlying the Proxy Voting Policies and Procedures is that Rocaton will vote any proxy or other beneficial interest in a fund or security in the best interest of the Discretionary Client. Rocaton will vote proxies in a manner consistent with maximizing value to the Discretionary Client, focusing on the best long-term economic interest of the Discretionary Client, considering all relevant factors and without undue influence from individuals or groups who may have an economic interest in the outcome of a proxy vote.

Under certain circumstances, Rocaton may determine that it is in the best interest of one or more Discretionary Clients to refrain from voting a given proxy ballot. Additionally, Rocaton may not be able to vote a particular proxy, or Rocaton may find that the expected economic costs from voting outweigh the benefits associated with voting.

Rocaton may have a material conflict of interest in voting a proxy. In light of Rocaton's business, the primary potential conflict would be if Rocaton were called upon to vote a proxy issued by a client or an affiliate of a client. Before Rocaton votes a proxy, it will determine if the proxy is issued by or otherwise related to a Rocaton client or an affiliate. Rocaton's Chief Compliance Officer (the "CCO") reviews apparent conflicts to determine whether there is a conflict, and if so, whether the conflict is material. A conflict of interest will be considered material to the extent that it is determined that such a conflict is likely to influence, or appear to influence, Rocaton's decision-making in voting the proxy. All materiality determinations will be based on an assessment of the particular facts and circumstances.

If the CCO determines that a conflict of interest is not material, Rocaton may vote proxies notwithstanding the existence of the conflict. If the CCO determines that a conflict of interest is material, Rocaton will inform the client of the conflict, and the client will determine whether and how to vote the proxy.

Clients for whom Rocaton has proxy voting responsibilities may obtain a copy of Rocaton's proxy voting policies and procedures or information about how Rocaton voted any proxies on behalf of their securities by contacting Rocaton at (203) 621-1700 and/or [rsg@rocaton.com](mailto:rsg@rocaton.com). Such clients should forward any proxy solicitation requests and forms that they receive directly to Rocaton.

#### *B. No Authority to Vote Client Securities*

Unless clients specify otherwise or are informed otherwise by other investment managers engaged by the client (or, for Discretionary Clients, if they otherwise agreed as part of their agreement with Rocaton), clients will typically receive their proxies or other solicitations for funds and for securities held in separately managed accounts directly from their custodian, transfer agent or fund manager. Clients may contact Rocaton at (203) 621-1700 and/or [rsg@rocaton.com](mailto:rsg@rocaton.com) with any questions about any particular proxy solicitation.

### **Item 18. Financial Information**

#### *A. Prepayments*

Rocaton does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for the most recent fiscal year pursuant to this item.