



Ranger Investment Management, L.P.

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March 31, 2012

This Brochure provides information about the qualifications and business practices of Ranger Investment Management, L.P. ("Ranger" or the "Firm") If you have any questions about the contents of this Brochure, please contact us at (214) 871-5200. 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.

Ranger Investment Management, L.P. registered with the United States Securities and Exchange Commission in October 2003 in accordance with the Investment Advisers Act of 1940. Registration as an investment adviser does not imply any level of skill or training.

Additional information about Ranger Investment Management, L.P. (CRD # 124414) also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about persons who are both affiliated with Ranger Investment Management, L.P. and registered as investment advisors with the SEC.

## Item 2 – Material Changes

SEC rules require Ranger, and other registered investment advisors, to provide its Clients with a copy of its Form ADV 2 within 120 days of the close of its fiscal year, as well as on an ongoing basis when material changes make such disclosures necessary. Ranger's Form ADV 2 is intended to provide its Clients with a clearly written and meaningful disclosure, in plain English, about Ranger's business practices, conflicts of interest and advisory personnel.

Ranger's Form ADV 2 is divided into two parts, *Part 2A* and *Part 2B*. *Part 2A* of the Form ADV 2 (the "Brochure") provides information about a variety of topics relating to Ranger's business practices and conflicts of interest. *Part 2B* of the Form ADV 2 (the "Brochure Supplement") provides information about certain Ranger advisory personnel.

Item 2 of this Brochure discusses only specific material changes made to the Brochure from the most recent prior filing date and provides clients with a summary of such changes.

The effective date of this Brochure is March 31, 2012, and updates the Brochure filed on March 31, 2011. Included below is a summary of the material revisions made to the previous version of the Firm's Brochure.

1. On September 30, 2011, Ranger Capital Group Holdings, L.P. ("Ranger Capital") sponsored the launch of the Ranger Funds Investment Trust ("Ranger Trust"), an Investment Company registered with the U. S. Securities and Exchange Commission in accordance with the Investment Company Act of 1940. The Firm serves as investment adviser to the Ranger Small Cap Fund, and the Ranger Mid Cap Fund (each, a "Ranger Mutual Fund"), each a series of the Ranger Trust. For more information regarding the material revision made to the Brochure with respect to the disclosures made on behalf of the Ranger Mutual Funds , please see the following sections:
  - a. Item 4 – Advisory Business
  - b. Item 5 – Fees & Compensation
  - c. Item 7 – Types of Clients
2. All other changes to the Brochure were immaterial.

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## Item 4 – Advisory Business

Ranger Investment Management, L.P. (“Ranger” or the “Firm”) is an investment adviser that commenced operations in October 2002 and registered with the United States Securities and Exchange Commission (the “SEC”) in October 2003 in accordance with the Investment Advisers Act of 1940. Ranger was organized as a Delaware limited partnership by Ranger Investment Group, L.L.C., a Delaware limited liability company which serves as its general partner. Ranger Investment Group, L.L.C. is controlled by Ranger Capital Group Holdings, L.P., a Texas limited partnership which serves as its managing member.

As of December 31, 2011, the Firm managed approximately \$1.05 billion of client assets. Approximately \$142 million of the total assets under management is non-discretionary.

### Investment Advisory Services

Ranger provides continuous investment management services to private pooled investment vehicles ( “Ranger Private Funds”), mutual funds (the “Ranger Mutual Funds”) and to separately managed accounts (“Separate Accounts”, and together with the Ranger Private Funds and Ranger Mutual Funds the “Clients”).

Investment supervisory services include: (1) establishing a client’s investment objectives within small, mid, smid and all capitalization growth oriented U.S. exchange traded equity investment strategies; (2) buying or selling portfolio securities on behalf of each client account; and (3) periodically reporting to each client regarding current investment holdings and positioning, valuations, transactions, capital gains or losses, performance and investment outlook.

The investment portfolios (the “Portfolios”) the Firm advises consist of U.S. exchange traded equity securities of small, mid and/or large capitalization growth oriented companies. The Firm seeks to uncover quality growth companies by implementing a bottom-up, fundamental research driven security selection process with a focus on valuation. The objective of the strategy is to identify U.S. exchange traded equity securities of small and/or mid capitalization companies characterized by accelerating revenue and earnings growth, high recurring revenues, strong balance sheets and strong free cash flow generation. Clients may impose additional restrictions on the Portfolios the Firm advises. Please see Item 8 for additional information with respect to the Firm’s investment approach.

### Ranger Private Funds

The Firm serves as a general partner and investment adviser to the following Clients, each of which is a pooled investment vehicle exempt from registration under the Investment Company Act of 1940:

- **Ranger Small Cap Fund, L.P.** is a Delaware limited partnership which maintains a growth oriented portfolio consisting of approximately 40 - 60 U.S. exchange traded equity

securities of small companies with market capitalizations which generally range from \$100 million to \$2.0 billion at the time of purchase.

- **Ranger Small Cap Select Fund, L.P.** is a Delaware limited partnership which maintains a concentrated growth oriented portfolio consisting of approximately 8 - 15 U.S. exchange traded equity securities of small companies with market capitalizations which generally range from \$100 million to \$2.0 billion at the time of purchase.
- **Ranger Mid Cap Fund, L.P.** is a Delaware limited partnership which maintains a growth oriented portfolio consisting of approximately 40 - 60 U.S. exchange traded equity securities of companies with market capitalizations which generally range from \$1.5 billion to \$10 billion at the time of purchase.
- **Ranger Mid Cap Select Fund, L.P.** is a Delaware limited partnership which maintains a concentrated growth oriented portfolio consisting of approximately 8 - 15 exchange traded equity securities of companies with market capitalizations which generally range from \$1.5 billion to \$10 billion at the time of purchase.

Ranger Private Funds are exempt from registration pursuant to Section 3(c)-7 or 3(c)-1 of the Investment Company Act of 1940. The Firm solicits investors for each of the Private Funds mentioned above. In accordance with Rule 506 of Regulation D, the Private Funds are available to a limited number of accredited and qualified investors who are knowledgeable and experienced in financial and business matters. In addition, current and prospective investors should be capable of evaluating the merits and risks of an investment in a Private Fund.

#### Ranger Mutual Funds

The Firm serves as an investment adviser to the following Clients, each of which is a Ranger Mutual Fund:

- The **Ranger Small Cap Fund** (Ticker Symbol: RFISX) is a series of the Ranger Trust which seeks long term capital appreciation by investing in growth-oriented U.S. exchange traded equities of small capitalization companies. Ranger's investment team further seeks to capture and compound returns, manage risk and preserve capital by employing a disciplined, consistent approach to both security selection and risk management. The investment team searches for quality growth companies by implementing a bottom-up, fundamental research driven security selection process. The focus in the research process is on identifying small capitalization U.S. equities characterized by accelerating revenue and earnings growth, high recurring revenues, strong balance sheets and free cash flow generation.
- The **Ranger Mid Cap Fund** is a series of the Ranger Trust which seeks long term capital appreciation by investing in growth-oriented U.S. exchange traded equities of mid capitalization companies. Ranger's investment team further seeks to capture and compound returns, manage risk and preserve capital by employing a disciplined, consistent approach

to both security selection and risk management. The investment team searches for quality growth companies by implementing a bottom-up, fundamental research driven security selection process. The focus in the research process is on identifying mid capitalization U.S. equities characterized by accelerating revenue and earnings growth, high recurring revenues, strong balance sheets and free cash flow generation.

## Item 5 – Fees and Compensation

The Firm charges Clients advisory fees which are a fixed percentage of assets under management (“Management Fees”). Management Fees are generally charged in accordance with the schedule set forth in this Brochure, and in the case of a Ranger Private Fund or Ranger Mutual Fund, the offering documents, prospectus and/or statement of additional information of such fund.

Ranger reserves the right to negotiate Management Fees with Clients which differ from the standard schedule, based on specific circumstances and on a case by case basis. Examples of these circumstances include, without limitation: the relative size of a Client’s account, a Client’s affiliation to Ranger, and/or a Client’s status as a seed investor. Accordingly, Management Fees incurred by Clients may vary substantially. In addition, with respect to Separate Accounts, all other terms of such investment, including terms relating to expenses and redemption terms, may also be negotiable on a case by case basis. As such: (i) client investments in Separate Accounts may provide flexibility with respect to investment terms which are not as readily afforded to investors in the Ranger Private Funds or Ranger Mutual Funds, and (ii) Management Fees incurred by Clients may vary significantly.

Management Fees are generally referenced at an annual rate, but are generally calculated and charged in advance on a daily, monthly or quarterly basis. To the extent that a Client redeems its investment, the Firm will promptly refund all fees paid in advance for periods after such applicable redemption date.

### Standard Fee Schedule for Ranger Private Funds

<b>Ranger Private Fund</b>	<b>Annual Management Fee</b>
Ranger Small Cap Fund, L.P.	One Percent (1.00%)
Ranger Mid Cap Fund, L.P.	Eighty Basis Points (0.80%)
Ranger Small Cap Select Fund, L.P.	One and Three Quarters Percent (1.75%)
Ranger Mid Cap Select Fund, L.P.	One and One Half Percent (1.50%)

### Standard Fee Schedule for Ranger Mutual Funds

<b>Ranger Mutual Fund</b>	<b>Annual Management Fee</b>
Ranger Small Cap Mutual Fund	One Percent (1.00%)
Ranger Mid Cap Mutual Fund	Ninety Basis Points (0.90%)

*\* Non-Institutional share classes of Ranger Mutual Funds may be subject to 12b-1 fees of up to 0.25%.*

### Standard Fee Schedule for Ranger Separately Managed Accounts

<b>Ranger Strategy</b>	<b>Annual Management Fee</b>
Ranger Small Cap	One Percent (1.00%)
Ranger Mid Cap	Eighty Basis Points (0.80%)
Ranger SMid Cap	Seventy-Five Basis Points (0.75%)
Ranger SMid Cap Select	One Percent (1.00%)

### Management Fees Exclusive of Expenses

Management Fees are exclusive of expenses associated with investments in the Separate Accounts, Ranger Mutual Fund and/or Ranger Private Funds. Although, the Firm is responsible for its general overhead expenses, Clients bear the cost attributable to their investment activities and operations, including without limitation, expenses associated with trading, administration/custody and operations. Such expenses may include: (i) expenses incurred in connection with the evaluation, acquisition or disposition of a portfolio investment, including brokerage fees, due diligence expense, travel costs, taxes, and legal, accounting, consulting, information services and professional fees; (ii) expenses incurred in connection with the carrying or management of investments, including custodial, trustee, record keeping and other administration fees; (iii) fees relating to the administration of a Separate Account, Ranger Private Fund or Ranger Mutual Fund, including fees of a third party administrator, transfer agent, or custodian; (iv) expenses incurred in connection with a Private Fund's financial statements and/or tax returns; (v) attorneys' and accountants' fees and disbursements; (vi) taxes and other governmental charges or fees levied against a Private Fund, including registration or filing fees; and (viii) insurance (including with respect to errors or omissions of the Firm, its Affiliates and related entities, and any other persons acting on behalf of a Private Fund), regulatory or litigation expenses (and damages), including regulatory expenses of the investment Manager. In addition, Non-Institutional Classes of Ranger Mutual Funds may be subject to Distribution and/or Service (12b-1) Fees of up to 0.25%.

### Expense Cap Limitation Agreements

The Firm has entered into an expense limitation agreement with the Ranger Mutual Funds to reduce its fees and to reimburse expenses, at least until November 30, 2012, such that total

annual Fund operating expenses after fee waiver and/or reimbursement (exclusive of any Rule 12b-1 distribution or shareholder servicing fees, taxes, interest, brokerage commissions, acquired fund fees and expenses, or extraordinary expenses such as litigation) will not exceed 1.25% of the Ranger Small Cap Mutual Fund's average daily net assets and 1.12% of the Ranger Mid Cap Mutual Fund's average daily net assets, subject to possible recoupment from the appropriate Fund in future years on a rolling three year basis (within the three years after the fees have been waived or reimbursed) if such recoupment can be achieved within the foregoing expense limits.

#### Broker –Dealers.

For additional information describing the factors that the Firm considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation, please see Item 12 – Brokerage Practices.

#### Performance Fees

Performance fees are advisory fees which are charged as a percentage of the appreciation of the net asset value of a Client's account. Although on a general basis the Firm does not charge performance fees, it may in limited situations and at a Client's request consider the application of performance fees as a full or partial alternative to Management Fees.

#### Compensation to Third Parties

The Firm may enter into agreements with an affiliated or unaffiliated marketing group or individuals that will solicit separately managed accounts or investors for the Private Fund managed by the Firm or an affiliate. For their solicitation services, such marketing groups may receive a percentage of the Firm's Management Fee.

The Firm's arrangements with an affiliated or unaffiliated marketing group may result in a potential conflict of interest by creating an incentive for the marketing group to recommend Ranger investment advisory products and services based on compensation received rather than the investor's needs. The Firm has implemented procedures to ensure compensation arrangements with an affiliated or unaffiliated third-party for client or investor referrals will comply with Rule 206(4)-3 under the Adviser's Act.

#### Additional Information

- Additional information regarding each Ranger Mutual Fund may be found in such mutual fund's prospectus and SAI, a copy of which may be obtained by accessing [www.rangerfunds.com](http://www.rangerfunds.com) or by contacting the Funds' transfer agent at (866) 458-4744.
- Additional Information regarding each Ranger Private Fund may be found in such fund's private placement memorandum and limited partnership agreement, a copy of which may be obtained by contacting the Firm at (214) 871-5200.



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

In rare circumstances, the Firm may enter into performance fee arrangements with qualified Clients. Performance based fee arrangements may create an incentive for the Firm to invest in securities which may be riskier or more speculative than the securities it would invest in under a different fee arrangement. In addition, performance fee arrangements may create an incentive for the Firm to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.

The Firm generally invests in liquid exchange traded securities which effectively mitigates trade allocation conflicts presented by performance based fee arrangements. In addition, Ranger employs procedures designed and implemented to treat all Clients fairly and equally, and to prevent this potential conflict from influencing the allocation of investment opportunities among Clients. For example, the Firm aggregates and allocates all Client orders for a particular security on a *pro-rata* basis electronically prior to making a trade. The Firm's traders review and monitor client orders on a real-time basis and the Operations Manager confirms these orders once they are complete. In addition, all accounts with similar investment guidelines are managed *pari passu*.

## Item 7 – Types of Clients

Ranger generally provides direct investment advisory services to institutional investors such as mutual funds, collective investment trusts, private pooled investment vehicles, public and private pension plans, insurance companies, foundations, and endowments. In addition, Ranger provides indirect investment advisory services to both institutional and non-institutional investors through shares and interests in registered and unregistered pooled investment vehicles, each of which are deemed Clients of the Firm.

Generally, the minimum investment thresholds to open an account are: (i) five million dollars (\$5,000,000.00) for a Separate Account, (ii) one million dollars (\$1,000,000.00) for a limited partnership interest in a Ranger Private Fund, and (iii) between twenty-five thousand dollars (\$25,000.00) and one million dollars (\$1,000,000.00), for shares of a Ranger Mutual Fund, depending on the class of shares. However, the Firm may accept lesser amounts at its sole discretion.

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

Ranger's investment team seeks to uncover quality growth-oriented companies by implementing a bottom-up, fundamental research driven security selection process with a focus on valuation. The investment team's focus is to identify U.S. exchange traded equity securities of small and/or mid capitalization companies characterized by accelerating revenue and earnings growth, high recurring revenues, strong balance sheets and strong free cash flow generation. In addition to quantitative analysis, the investment team considers qualitative issues such as, quality of the management team, accounting practices, governance and the company's competitive advantage.

Following the analysis of these quantitative and qualitative characteristics, the investment team then determines whether a company is undervalued and has sufficient upside to the stock price to warrant an investment.

The Firm's investment team conducts a significant percentage of its research internally. The investment team performs independent fundamental research on potential Portfolio companies and their underlying securities prior to making investment decisions. As part of the bottom-up fundamental research process, investment team members consider a variety of sources of information, all publicly available. This includes information produced by publicly traded companies such as, audited financial statements and other financial reports. The investment team also considers information obtained through its industry contacts, Wall Street firms, financial news feeds, third party research companies and other publicly available sources. Discussions with company management are also an important source of information.

Ranger uses information provided by three proprietary systems, "Long Manager," the "Suspect List" and the "Earnings Quality Report" to monitor its Portfolios and better understand risk:

"Long Manager" is an analytical tool the investment team uses on a daily basis to monitor individual stocks and Client Portfolios to ensure compliance with client investment objectives. "Long Manager" also provides detailed market information relating to all Portfolio holdings and identifies securities that violate internal guidelines or are approaching their price targets.

The "Suspect List" enables the team to monitor twenty-three (23) fundamental and technical characteristics used to identify companies that violate the firm's sell disciplines. This review process seeks to identify problem stocks early and enhance performance by removing them before they become significant problems for the Portfolio.

The "Earnings Quality Report" monitors a series of accounting-related margins, ratios, and earnings quality metrics to detect early warning signs of a change in a company's fundamental financial position and earnings risk. In addition, the report measures the various ratios that are important to EPS growth, any unusual changes in margins, decreases in accrual profits and cash flow, organic growth, and changes in working capital.

## **RISK FACTORS**

**AN INVESTMENT IN ONE OF THE FIRM'S PRIVATE FUNDS, MUTUAL FUNDS OR SEPARATELY MANAGED ACCOUNTS (TOGETHER, A "RANGER ACCOUNT") ENTAILS A HIGH DEGREE OF RISK, INCLUDING THE POTENTIAL FOR LOSS OF ALL OR PART OF AN INVESTMENT. THEREFORE, AN INVESTMENT SHOULD BE UNDERTAKEN ONLY BY INVESTORS CAPABLE OF EVALUATING AND BEARING THE RISKS OF SUCH AN INVESTMENT. THERE CAN BE NO ASSURANCE THAT THE FIRM WILL BE ABLE TO AVOID LOSS, ACHIEVE ITS INVESTMENT OBJECTIVE OR RECEIVE A RETURN ON INVESTMENT CAPITAL. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THE FOLLOWING FACTORS IN CONNECTION WITH AN INVESTMENT. PLEASE NOTE THAT THE**

**FOLLOWING LIST IS NOT A COMPLETE LIST OF ALL RISKS INVOLVED IN CONNECTION WITH AN INVESTMENT IN A RANGER ACCOUNT. WITH RESPECT TO A RANGER PRIVATE FUND OR RANGER MUTUAL FUND, ADDITIONAL RISK DISCLOSURES MAY BE FOUND IN THE PRIVATE PLACEMENT MEMORANDUM, PROSPECTUS AND/OR SAI OF SUCH APPLICABLE FUND.**

#### Security Selection and Market Risk

Security selection risk is defined as the risk that the Firm may not select and size positions appropriately within the Portfolio. An associated market risk arises from the influence of the movements of the overall market, or the value of the individual securities in the Portfolio. The profitability of a significant portion of the Firm's investment program depends to a great extent upon correctly assessing the future course of price movements and/or the general value of securities and other investments. There can be no assurance that Ranger will be able to accurately predict these price movements or future valuation; nor can assurance be given that the Firm's investment Portfolios will generate income or appreciate in value. With respect to Ranger's investment strategies, there is also a degree of market risk. For these reasons, the Portfolio may also incur losses.

#### Small and Mid Capitalization Companies

The Firm generally invests in the stocks of companies with small and/or mid market capitalizations. While the Firm believes that small and mid capitalization companies often provide significant potential for appreciation, these stocks often involve higher risks in some respects than investments in stocks of larger companies. For example, prices of small capitalization stocks are often more volatile than prices of large capitalization stocks, and the risk of bankruptcy or insolvency of many smaller companies is higher than for larger, "blue-chip" companies. In addition, due to thin trading in some small capitalization stocks, an investment in those stocks may become illiquid.

#### Concentration Risk

Generally, the Firm's investment strategies invest in between, (1) forty to sixty domestic equity holdings or, (2) eight to fifteen domestic equity holdings, which represents significantly fewer holdings than that represented by the index benchmarks the Firm uses for comparison purposes. Accordingly, the Firm's investment strategies may therefore be subject to more rapid changes in value than would be the case if these strategies maintained wide diversification among companies, securities, and types of securities.

#### Overall Investment Risk

All investments risk the loss of capital. The nature of the securities the Firm purchases and trades as well as the investment techniques and strategies it employs to maximize returns may

increase this risk. There can be no assurance that an investment in a Private Fund or Separate Account will be able to achieve positive results or avoid losses.

### Portfolio Turnover

Private Funds and Separate Accounts that the Firm advises will not be restricted in effecting transactions by any specific limitations with regard to the Portfolio turnover rate. Market conditions or other unforeseen events may result in substantial Portfolio turnover.

## **POTENTIAL CONFLICTS OF INTEREST**

### Trade Allocation

The Firm manages and expects to continue to manage other client accounts. Generally, the Firm has discretionary authority over the investment Portfolios for which it manages on behalf of Clients. As a general matter, the Firm believes that aggregation of orders for multiple Clients is consistent with its duty to seek best execution for its Clients. However, in any case in which the Firm believes that aggregation is not consistent with its duty to seek best execution for its Clients, it will not affect the transaction on an aggregated basis.

Typically, the Firm allocates orders for securities on a *pro-rata* basis in accordance with each account's investment guidelines as determined exclusively by the Firm's Portfolio Manager or his designee. The Firm also allocates orders for initial public offerings on a *pro-rata* basis to the accounts of non-restricted investors or in accordance with *de minimis* exceptions. Differences in allocation proportions may occur due to tax considerations, avoidance of odd lots or *de minimis* numbers of shares, and investment strategies of the accounts. In order to verify compliance with these policies and procedures, the Firm conducts periodic reviews of the order allocation process.

### Personal Trading

Potential conflicts may arise with respect to Firm employees personal trading activities in relation to trading on behalf of the Firm's Clients. An employee trading securities in his or her account prior to trading the same security on behalf Clients (commonly known as "front-running") is an example of such a conflict. To mitigate conflicts, the Firm prohibits employees from purchasing individual securities for their own accounts. Employees are required to receive pre-clearance from the Chief Compliance Officer prior to selling an individual security owned in a personal account prior to adoption of the Firm's current Personal Trading Policy. Additional information regarding the Firm's Personal Trading Policy is included below in Item 11 – Code of Ethics.

### Soft Dollar Credits

The Firm seeks to employ a soft dollar policy that falls within the safe harbor established by Section 28(e) of the Securities Exchange Act of 1934 ("1934 Act"). The Firm's use of soft dollar credits to pay for research and brokerage products or services might otherwise be borne by

the Firm. Accordingly, the authority to use soft dollar credits may give the Firm an incentive to select brokers or dealers for securities transactions, or to negotiate commission rates or other execution terms, in a manner that takes into account the soft dollar benefits received by the Firm rather than giving exclusive consideration to the interests of the Firm's Clients. Additional information regarding the Firm's use of soft dollars and broker selection is included below in Item 12 – Brokerage Practices.

***Investing in the Ranger Funds and/or Ranger Separate Accounts involves risk of loss that Clients should be prepared to bear.***

## **Item 9 – Disciplinary Information**

This section requires registered investment advisers to disclose all material facts regarding any legal or disciplinary events that would be material to an investors' evaluation of the Firm or the integrity of its management. The Firm has no legal or disciplinary events to disclose.

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

Ranger Investment Management, L.P. is affiliated with four investment advisers by virtue of common control and ownership by Ranger Capital Group Holdings, L.P. The Firm and each of its investment advisory affiliates mentioned below maintain independent investment teams and processes; and focus on different investment strategies.

- Ranger Advisors, L.P. manages multi-strategy fund-of-hedge funds portfolios.
- Ranger International Management (TX), LP manages long-only (i) global equity, (ii) international equity and (iii) global income and growth portfolios.
- Ranger International Management, LP manages long-only (i) global equity, (ii) international equity and (iii) global income and growth portfolios.
- Ranger Alternative Management, L.P. serves as a sub advisor to and has day-to-day portfolio management responsibilities with respect to a short only actively managed exchange traded fund. Portfolio investments generally include short sales of domestically traded mid- and large-cap U.S. exchange-traded equity securities.
- Ranger Fund Management, L.P. manages fund of funds portfolios whose primary objective is to invest a variety of strategies advised by Ranger affiliated investment advisers.

All Ranger Capital affiliated investment advisers are registered with the U.S. Securities and Exchange Commission in accordance with the Investment Advisers Act of 1940. Registration as an investment adviser does not imply any level of skill or training.

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

As a fiduciary, the Firm has an affirmative duty to act in the best interests of its Clients and to make full and fair disclosure of all material facts, particularly where the Firm's interests may conflict with those of its Clients. The Firm's Code of Conduct and Code of Ethics (the "Code") serves as behavior benchmarks from which the Firm establishes its compliance program. Briefly, the Code requires each Ranger employee to act with integrity, competence, diligence, respect, and in an ethical manner when dealing with current and prospective Clients, the Firm, other employees and colleagues in the investment profession, and other participants in the global capital markets. Ranger expects employees to place the interests of Clients and the Firm above their own personal interest and to avoid any actual or potential conflicts of interest. ***Among other things, the Firm's Code of Ethics requires that all employees comply with applicable provisions of the federal securities laws and promptly report any violations or potential violations of the Firm's compliance policies and procedures to the Chief Compliance Officer.***

### Personal Trading Policy

The Firm has implemented a personal trading policy which prohibits employees from purchasing individual securities for their personal accounts or the accounts of family members living in their immediate household. Employees may continue to hold investments initiated prior to the adoption of the policy or their employment with the Firm, and may sell such securities only after the completion of all anticipated Client purchases or sales of such securities. In addition, the Firm requires that all employees receive pre-clearance from the Chief Compliance Officer by submitting a written request prior to the sale of individual securities transactions. Employees may invest in pooled investment vehicles, ETFs, Closed End Mutual Funds and SEC non-restricted securities such as open-end mutual funds, certain U.S. government securities and cash equivalents. Pre-clearance and reporting requirements vary for these investments. In addition, the Firm's personal trading policy requires employees to provide the Chief Compliance Officer 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.

In addition to personal trading activities, other policies and procedures found in the Code of Ethics provide guidelines the Firm and/or employees follow with respect to:

- Insider Trading
- Outside Business Activities
- Political Contributions
- Gifts and Entertainment

A copy of the Firm's Code of Ethics is available to current and prospective Clients upon written request to [info@rangerinvestment.com](mailto:info@rangerinvestment.com).

## Item 12 – Brokerage Practices

The Firm has complete investment and brokerage discretion over many of its client accounts.

### Broker Selection and Transactions

The Firm selects brokers for its securities transactions based on a number of factors, including, but not limited to, the following: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of an order and the difficulty of execution; the financial strength, integrity and stability of the broker; the broker's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research products or other services the Firm considers to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying the Firm's other selection criteria.

With respect to research and brokerage products or services provided by brokers dealers, the Firm seeks to maintain a soft dollar policy that falls within the safe harbor established by Section 28(e) of the Securities Exchange Act of 1934 ("1934 Act"). Research services, as that term is used in Section 28(e)(3), may include both services generated internally by a broker's own research staff and services obtained by the broker from a third party research firm. The research services obtained may include a broad variety of financial and related information and services, including written or oral research and information relating to the economy, industries or industry segments, a specific company or group of companies, software or written financial data, electronic or other quotations or market information systems, financial or economic programs or seminars, or other similar services or information believed to assist the Firm and its advisory functions and services. The Firm believes that its ability to obtain such products and services is an integral factor in the level of the advisory fees charged to Clients.

Generally, the Firm will attempt to place portfolio transactions with broker dealers who, in its opinion, provide the best combination of price and execution (including brokerage commissions). However, the Firm may pay a broker dealer a commission for effecting a transaction in excess of a commission charged by another broker or dealer as long as the Firm makes a good faith determination that the amount of commission is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer.

The Firm maintains an internal allocation procedure to identify those brokers who provided it with research and execution services that the Firm considers useful to its investment decision-making process. The amount of commission allocated to any broker will be based, in part, on the cost of such research to the broker, and the amount allocated may be higher than that which the Firm would pay for the research were it to pay for it in cash using its own funds.

Clients should consider that there is a potential conflict of interest between their interests in obtaining best execution and the Firm's receipt of and payment for research through brokerage allocations as described above. To the extent the Firm obtains brokerage and research services



that it otherwise would acquire at its own expense, the Firm may have incentive to place a greater volume of transactions or pay higher commissions than would otherwise be the case.

The soft dollar research the Firm obtains normally benefits many accounts rather than just the one(s) for which the order is being executed, and not all research may be used by the Firm in connection with the account(s) which paid commissions to the broker providing the research. For example, the Firm may use the commissions paid by its Clients who invest in mid cap securities to obtain small cap securities research services. In this situation, the small cap securities research may benefit only a select group of the Firm's Clients which is different from the group whose commissions generated the soft dollar credits.

### Best Execution Reviews

On at least a quarterly basis, the Firm holds a best execution review meeting to determine the value each broker dealer brought to the Firm over the previous three (3) month period. In attendance at the meeting are members of the Firm's investment team, traders and its Chief Compliance Officer. At the meeting, the participants address issues such as: execution quality, research quality, broker responsiveness, and access to analysts and company management. The meeting participants discuss each active broker dealer on the approved list to determine whether the commissions earned are commensurate with the value received from each broker dealer. Following the review, the Head Trader makes appropriate revisions and, together with the Chief Compliance Officer, documents the changes made to the approved list of broker dealers.

Each quarter, as part of the best execution review, members of the investment team, traders and the Chief Compliance Officer discuss general soft dollar activities and possible changes to the list of all soft dollar services. Examples of soft dollar issues discussed during the best execution review may include:

- Changes to the current level of service
- Prospective products and services being considered
- Services that are not being fully utilized, are obsolete or redundant and should be eliminated
- Whether the soft-dollar budget targeted for the current quarter or year are in line with the budgeted amounts

The Chief Compliance Officer documents and maintains information discussed during the best execution review.

### Order Aggregation

Generally, the Firm aggregates and allocates client orders on a *pro-rata* basis electronically prior to making a trade using Ranger's order management system, Advent Moxy. The traders review and monitor client orders on a real-time basis. Once a trade is complete, the Operations Manager confirms Client orders. All accounts with similar investment guidelines are managed *pari passu*. Trading is not segmented across product platforms. The trading desk centrally manages all



trades. Ranger aggregates trade orders to seek best execution. However, in any case in which the Firm believes that aggregation is not consistent with its duty to seek best execution for its Clients, it will not affect the transaction on an aggregated basis.

#### Directed Brokerage

An investor may instruct the Firm to effect securities transactions from the Client's account through a specific broker dealer. The Firm considers this instruction to be a "directed brokerage arrangement." In such circumstances, the Client is responsible for negotiating the terms and arrangements for the account with that broker dealer. The Firm will not seek better execution services or prices from other broker dealers or be able to aggregate the Client's transactions for execution through other broker dealers, with orders for other accounts advised or managed by the Firm. As a result, the Firm may place a directed trade following aggregated trading activity for a particular security. In addition, the Firm may not obtain best execution on behalf of the Client, who may pay materially disparate commissions, greater spreads or other transaction costs, or receive less favorable net prices on transactions for the account than would otherwise be the case.

#### Soft Dollar Reviews

In addition to quarterly reviews, the Firm conducts an annual evaluation of its soft dollar products and services to, (1) ensure the products and services continue to provide the value to the investment manager which was originally established upon initial evaluation; and, (2) prepare an annual soft dollar budget which it believes is in the best interest of the Firm's Clients. The Chief Compliance Officer and Chief Financial Officer must approve the annual soft dollar budget. The President will provide resolution to any potential differences of opinion between the Chief Compliance Officer and Chief Financial Officer.

Every month, a member of the accounting department reviews and verifies all invoices for soft dollar products and services and then submits them to the Head Trader for verification. The invoices are stamped and dated, and then forwarded to the soft dollar broker for payment. The soft dollar broker submits a monthly summary of all payments made for research, as well as a detailed listing of commissions generated with the executing soft dollar brokers. A member of the accounting department reviews all research payments and the Head Trader reviews commissions to ensure payments between the commission list submitted by the soft dollar broker and a commission report generated by the Firm's portfolio management system has been properly reconciled. The soft dollar broker resolves any issues, and any unresolved disputes will be promptly brought to the attention of the Chief Compliance Officer and Chief Financial Officer.

#### Mixed-Use Soft Dollar Products and Services

In some instances, brokerage and research products or services the Firm receives may also be used by the Firm for functions that are not entirely brokerage or research related (i.e. not related to the investment decision-making process). Where a research or brokerage product or service

has a mixed-use, the Firm will make a reasonable allocation according to its use and will pay for the non-research or non-brokerage portion in cash using its own funds. The Firm generally bases its mixed-use allocation decisions on a reasonable combination of factors such as:

- The percentage of time devoted to the Firm's use of the product for research or brokerage in relation to non-research or non-brokerage applications;
- The relative value of the product for each use as the Chief Compliance Officer and Chief Financial Officer determine to be reasonable and appropriate; and,
- The availability and value of comparable products and services.

The Chief Compliance Officer supervises the evaluation of all mixed-use soft dollar items upon initial receipt of the product or service, and on an annual basis thereafter. Evaluation results, along with guidance from the Chief Financial Officer assist the Chief Compliance Officer in the establishment of a final mixed-use allocation decision.

### Item 13 – Review of Accounts

Each account is reviewed and valued on a daily basis or more frequently if triggered by market or economic conditions. At this time, there are fewer than thirty (30) accounts requiring review. Members of the investment staff review each account in a manner consistent with the investment goals of each account. The Firm's Chief Financial Officer reviews the accounts' valuation, including net asset value calculations, securities positions and pricing information, interest accrual calculations, and cash balance reports generated by the Firm's accounting system, custodian, prime broker and brokerage firms on a monthly basis. An independent public accounting firm performs an annual audit of the books and records of the Firm's Private Funds and Mutual Funds.

The Firm typically remits quarterly and annual reports to its Clients, which set forth various financial data and information. The Firm's operations staff, supervised by the Chief Financial Officer, reviews the accounts' valuation, including net asset value calculations, securities positions and pricing information, interest accrual calculations, and cash balance reports generated by the Firm's accounting system, custodian, prime broker and/or brokerage firms. Investors in a Ranger Private Fund or a Ranger Mutual Fund receive an audited annual financial report and the information necessary for the investor to complete annual federal income tax returns.

### Item 14 – Client Referrals and Other Compensation

The Firm may enter into agreements with an affiliated or unaffiliated marketing group or individuals that will solicit separately managed accounts or investors for Ranger Private Funds or Mutual Funds. For their solicitation services, such marketing groups or individuals may receive a percentage of the Firm's Management Fee.

The Firm's arrangements with an affiliated or unaffiliated marketing group or individuals may result in a potential conflict of interest by creating an incentive for the marketing group to

recommend Ranger investment advisory products and services based on compensation received rather than the investor's needs. The Firm has implemented procedures to ensure compensation arrangements with an affiliated or unaffiliated third-party for client or investor referrals will comply with Rule 206(4)-3 under the Adviser's Act.

## Item 15 – Custody

The Firm does not take possession of investor funds or securities. However, the Firm serves as a General Partner and/or attorney in fact with full discretion over the portfolios of private pooled investment vehicles (Ranger Private Funds) it advises. As a result, the Firm has indirect access to the funds and securities of investors in its Private Funds. Pursuant to Rule 206(4)-2 of the Investment Advisers Act of 1940, the Firm has custody of these assets.

Accordingly, the Firm implements certain policies and procedures to safeguard investor assets on behalf of all its Private Funds. The Firm must also comply with additional bookkeeping, auditing and disclosure requirements, which includes providing investors in the Firm's Private Funds with audited financial statements on an annual basis.

***Ranger strongly encourages investors to closely monitor their account statements, audited financial statements and any other important investment related materials they receive from the Firm. Any potential discrepancies should be promptly brought to the Firm's attention by contacting (214) 871-5200.***

## Item 16 – Investment Discretion

With respect to most Client accounts, the Firm has complete discretion over the selection and amount of securities to be bought or sold without obtaining consent or approval from investors (within the parameters established by the private placement memorandum of the Private Funds, the prospectus and SAI of the Mutual Funds or investment management agreements applicable to Separate Accounts). Discretionary authority only occurs upon full disclosure to the Client and authorization by such Client pursuant to the operative documents and subscription agreement of a Private Fund, the prospectus for a Ranger Mutual Funds or a Separate Account Agreement for a Separate Account. Trades made by Ranger on behalf of Client accounts for which it has discretion will be in accordance with that portfolio's investment objectives and goals.

## Item 17 – Voting Client Securities

### Proxy Voting

The Firm has the right to vote proxies for the Ranger Private Funds, Ranger Mutual Funds and many Separate Accounts it advises. The Firm seeks to vote such proxies in the interest of maximizing shareholder value. To that end, the Firm takes great care to vote proxies in a way that it believes is consistent with its fiduciary duty. It is the Firm's policy to review each proxy statement on an individual basis and give consideration to both the short and long term implications of each proposal in which it votes. The Firm's Portfolio Manager and Sector

Managers are responsible for identifying the proxies upon which the Firm will vote, voting the proxies in the best interest of Clients, and submitting the proxies promptly and properly.

The Firm's written proxy voting policies and procedures are available for review by investors in each Ranger Private Fund, Ranger Mutual Fund or Separate Account advised by the Firm. In addition, the Firm maintains a record of all proxy votes cast on behalf of the Ranger Private Funds, Ranger Mutual Funds and many of the Separate Accounts it advises; such records are available for review by the Client upon written request.

#### Class Action Law Suits

From time to time, the Firm may receive notices regarding class action lawsuits involving securities that are or were held by the portfolios of a Ranger Private Fund, a Ranger Mutual Fund or a Separate Account it advises or advised. As a matter of policy, the Firm refrains from serving as the lead plaintiff in class action matters and also refrains from submitting proofs of claim where the Firm believes, in its sole discretion, that either the recovery amounts are likely to be negligible or such participation is not in the interest of the applicable account. As a result, the Firm, in many cases, may not participate in class action law suits.

#### **Item 18 – Financial Information**

Ranger Investment Management, L.P. has no known financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients. In addition, the Firm has never been the subject of a bankruptcy petition.