

# Form ADV Part 2A

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## Uniform Application for Investment Adviser Registration

### **SHEPHERD KAPLAN LLC™**

125 Summer Street, 22nd Floor, Boston, MA 02110

Contact Employee:  
Sebastian Granzo, Chief Compliance Officer  
(617) 896-1648  
sgranzo@sk-llc.com

[www.sk-llc.com](http://www.sk-llc.com)

March 29, 2018

This brochure provides information about the qualifications and business practices of Shepherd Kaplan LLC. If you have any questions about the contents of this brochure, please contact us at 617-896-1600. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Shepherd Kaplan LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration does not imply a certain level of skill or training.

## Item 2: Material Changes

The following material changes that have been made to this brochure since the last annual update dated March 30, 2017:

- Item 4 was updated to reflect changes in the ownership structure due to the combination of Shepherd Kaplan (SK) with GRT Capital Partners, L.L.C. (GRT), which was then renamed Shepherd Kaplan Krochuk, LLC (SKK). Item 4 also discussed enhancements to our advisory business, including those that resulted from the relationship with GRT and proposed combination.
- Item 5 and Item 6 were updated to reflect SK's changes in the fee structure due to the business combination with GRT.
- Item 10 was updated to include new affiliations of SK, including those resulting from the business combination with GRT, new potential conflicts that may arise, and the steps taken to address them.
- Item 4, Item 10 and Item 11 were updated to discuss advisory services that involve SK introducing clients to opportunities regarding investments in private businesses and in private equity or real estate funds sponsored by SKK and describe potential conflicts of interest.
- Item 4 and Item 8 were updated to describe SK's practices in researching and introducing certain clients to opportunities for investments in private operating companies

The foregoing is only a summary of the material changes to this brochure since March 30, 2017. It does not purport to identify every change since that date. This summary is qualified in its entirety by the further discussion of the matters summarized in the remaining Items of this brochure. Clients are encouraged to read this brochure in detail and to contact SK with any questions.

### Item 3: Table of Contents

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

## Item 4: Advisory Business

### **Advisory Business & Ownership:**

Shepherd Kaplan LLC (Shepherd Kaplan, SK, or us/we) was founded in 1998 by David Shepherd and David Kaplan. On November 1<sup>st</sup>, 2017 SK combined its business with GRT Capital Partners, L.L.C. (GRT), a Boston-based asset manager, which was then renamed Shepherd Kaplan Krochuk, LLC (SKK). The transaction resulted in SK becoming a majority-owned and wholly-controlled subsidiary of SKK. David Shepherd, David Kaplan, and Timothy Krochuk, a member of GRT, are each members and one-third owners of SKK. Please refer to Item 10 for more information regarding SK's relationship with SKK and other affiliates.

While SKK is the overarching adviser of all the divisions of the firm, SK, the wealth management division of the firm, provides wealth and institutional advisory services to certain SKK clients in a sub-advisory capacity. Where this document refers to "clients" of SK, that term should be understood to mean that they are advisory clients of SKK, and SK is sub-adviser with respect to their accounts. Where this document refers to "SK portfolios," that term should be understood to mean portfolios sub-advised by SK.

With offices in Boston (Headquarters) and San Antonio, TX, we provide advisory services to institutional, private, endowments, and charitable foundation clients.

Institutional clients include publicly-traded companies, major corporations, and institutions in the healthcare and educational fields. Private clients include ultra-high-net-worth individuals, families, trusts and family offices. Endowment and foundation clients include educational institutions, donor advised funds, and family, private and community foundations. In managing clients' assets, SK considers their specific investment objectives and tailors its advisory services accordingly. SK's general approach is to manage clients' assets in a non-discretionary manner; however, discretionary relationships are also possible if they are more suitable to the clients' needs.

### **Technology – A Core Competitive Differentiator:**

A core component of the SK's business model is our advanced proprietary technology developed over more than a decade. This proprietary technology platform allows SK to: generate technology-enhanced overviews of a client's asset allocation; structure extensive manager searches, manager evaluations and monitoring; and provide our clients with transparent aggregation of data and performance analytics.

This platform not only enables us to conduct sophisticated quantitative analysis on managers and investments, but it also incorporates "early warning analytics" which permit us to identify certain issues before they become problems.

### **Institutional Clients:**

For institutional clients, our advisory services begin with a complete review of their investment portfolio, fiduciary controls, and key vendor relationships. Next, a manager search is conducted in each recommended asset class. These searches look at the behavioral characteristics of each investment relative to its peer group, and corresponding indices. Finally, an Investment Policy Statement (IPS) is created and a portfolio is constructed to meet the client's goals and objectives, risk/return, cost, and liquidity needs. SK portfolios can incorporate client imposed requirements and restrictions such as the inclusion and/or exclusion of certain securities or types of securities.

We expressly acknowledge our co-fiduciary status and assist clients in implementing investment management procedures that meet or exceed the standards set by the Employee Retirement Income Security Act (ERISA) and the Department of Labor.

The principal components of our fiduciary process are the creation of an IPS and the generation and preservation of documentation demonstrating the prudent selection, monitoring and replacement of investments. In addition, we assist clients in identifying and reviewing their specific custody and administration needs and aid in the selection of the most appropriate key vendors. We are committed to uncovering and recapturing costs associated with our sub-advisory clients' retirement plans for the benefit of the plans. Specific services include:

**Investment Services:**

- Assist in establishing investment policies, identifying appropriate levels of risk, return and liquidity objectives,
- Recommend target asset allocation strategies and investment manager structures to meet investment objectives,
- Conduct manager searches and recommend investments and investment managers across all asset classes and structures, which may include mutual funds, separate accounts and alternative investments,
- Monitor investment managers and provide, at a minimum, quarterly detailed portfolio performance reporting,
- Recommend rebalancing strategies,
- Recommend appropriate performance standards to evaluate investment managers, and
- Create model portfolios for defined contribution plans.

**Administrative Services:**

- Review and supervise custody, trust and administrative services, as needed,
- Comprehensively analyze portfolio expenses and implement appropriate cost controls, and
- Provide "request for proposal" (RFP) services for selection of custodians and administrators.

**Fiduciary Risk Management Services:**

- Expressly assume fiduciary status in providing investment advice,
- With respect to plans subject to ERISA, we assume discretion in one or two manners:
  - (i) serving as an investment manager, as defined in section 3(38) of ERISA, and/or
  - (ii) serving as the plan's "named fiduciary" for plan-level investment matters
- Offer outsourced chief investment officer and outsourced chief investment committee fiduciary services
- Provide educational services for client fiduciaries,
- Customize, implement, and manage SK's proprietary Fiduciary Governance and Document Archiving System for clients. Capabilities include:
  - A central archiving repository for documents in support of fiduciary and investment activities with variable security access for authorized parties and query able data structure,
  - Integrated communication and approval capabilities,
  - Secure transmittal of all documents and reports, and
  - Integrated process management and notification capabilities.

**Private Clients:**

For private clients, we act as their Chief Investment Officer, providing the investment-related information and advice necessary to assist them in achieving their financial goals. SK employees have

experience and expertise in financial planning, asset allocation, investment selection and monitoring, performance reporting, and coordinating with tax and estate planning professionals.

The portfolio planning process begins with an analysis of a client's current financial condition and interviews to uncover their financial goals and requirements. Next, a comprehensive financial model is created to analyze the impact of future cash flows and market volatility. Finally, an IPS is created and a portfolio is constructed with sensitivity to tax efficiency, cost, liquidity, and income and growth needs. SK sub-advised portfolios can incorporate client imposed requirements and restrictions such as the inclusion and/or exclusion of certain securities or types of securities. We manage both discretionary and non-discretionary portfolios. Specific services include:

**Investment Services:**

- Assist in establishing investment policies, identifying appropriate levels of risk, return and liquidity objectives,
- Recommend target asset allocation strategies and investment manager structures to meet investment objectives,
- Conduct manager searches and recommend investments and investment managers across all asset classes and structures, which may include mutual funds, separate accounts and alternative investments,
- Provide tax sensitive implementation and management of investment strategies,
- Monitor investment managers and provide, at a minimum, quarterly detailed portfolio performance reporting,
- Recommend rebalancing strategies,
- Recommend appropriate performance standards to evaluate investment managers,
- Recommend custodial and other service providers to optimize access to investments, quality of reporting and cost efficiency, and
- In appropriate cases, introduce opportunities for investments in private companies.

**Wealth Management Services:**

- Provide cash flow analysis and reporting,
- Coordinate investment strategies with tax and legal counsel,
- Recommend tactics to mitigate and manage financial risk,
- Customize, implement, and manage SK's proprietary Fiduciary Governance and Document Archiving System for clients. Capabilities include:
  - A central archiving repository for documents in support of fiduciary and investment activities with variable security access for authorized parties and query-able data structure,
  - Integrated communication and approval capabilities,
  - Secure transmittal of all documents and reports, and
  - Integrated process management and notification capabilities.

**Family Office Services:**

- Assist clients in the selection of tax advisors to perform tax reviews & filings
- Coordinate tax planning and preparation
- Coordinate investment strategies with tax and legal counsel,
- Provide cash flow analysis and reporting,
- Recommend tactics to mitigate and manage financial risk,

- Wealth protection, transfer analysis, and planning related to the management of all types of assets and income sources.
- Professional guidance regarding wealth transfer to succeeding generations.
- Philanthropic planning
- Budget services, including wealth reviews, analysis of short- and medium-term liquidity requirements, and long-term objectives
- Assist in the selection and management of estate planning counsel
- Family governance planning

**Endowment & Foundation Clients:**

To our Endowment & Foundation (E&F) clients, we offer expertise to meet their particular needs and goals. Our approach focuses on providing custom portfolios for both short and long-term client goals that incorporate client-imposed requirements and restrictions such as the inclusion and/or exclusion of certain securities or types of securities.

Our E&F sub-advisory services are provided with an emphasis on meeting the institution's distribution needs through varied market conditions. We provide attention to overall cost containment and management as well as specialized governance and fiduciary risk services, including education and presentations to the institution's staff and board.

We expressly acknowledge our co-fiduciary status and assist our clients in implementing investment management procedures intended to meet or exceed the distribution needs defined by each client.

The principal components of our fiduciary process are the creation of an IPS and the generation and preservation of documentation demonstrating the prudent selection, monitoring and replacement of investments. In addition, we assist sub-advisory clients in identifying and reviewing their specific custody and administration needs and aid in the selection of the most appropriate vendors. For sub-advisory clients that do not have an existing spending policy in place, we craft, implement, and reinforce a spending policy that meets their needs. Specific services include:

**Investment Services:**

- Assist in establishing investment and spending policies, identifying appropriate levels of risk, return and liquidity objectives,
- Recommend target asset allocation strategies and investment manager structures to meet investment objectives,
- Conduct manager searches and recommend investments and investment managers across all asset classes and structures - structures include mutual funds, separate accounts and alternative investments,
- Monitor investment managers and provide, at minimum, quarterly detailed portfolio performance reporting,
- Recommend rebalancing strategies,
- Recommend appropriate performance standards to evaluate investment managers,
- Assist in Cash Flow and Liquidity management.

**Administrative Services:**

- Review and supervise custody, trust and administrative services, as needed,
- Comprehensively analyze portfolio expenses and implementation of cost controls, and
- Provide RFP services for selection of custodians and administrators.

**Fiduciary Risk Management Services:**

- Expressly assume fiduciary status in providing investment advice,
  - Provide services on a Discretionary or Non-Discretionary basis
- Offer outsourced Chief Investment Officer (OCIO) and outsourced Chief Investment Committee (OCIC) fiduciary services
- Provide educational services for client fiduciaries,
- Customize, implement, and manage SK's proprietary Fiduciary Governance and Document Archiving System for clients. Capabilities include:
  - A central archiving repository for documents in support of fiduciary and investment activities with variable security access for authorized parties and query-able data structure,
  - Integrated communication and approval capabilities,
  - Secure transmittal of all documents and reports, and
  - Integrated process management and notification capabilities.

We do not provide legal, tax or accounting advice or services; clients should not assume that we are providing such services at any time.

**Wrap Fee Programs:**

SK does not participate in "wrap fee" programs.

**Assets Under Management (AUM):**

As of January 31, 2018, Shepherd Kaplan's assets under management were as follows:

**Total AUM:** \$6,209,178,429

*Discretionary:* \$861,590,624

*Non-Discretionary:* \$5,347,587,805

## Item 5: Fees and Compensation

SK's compensation derives from a percentage of revenues collected for investment advisory services provided to SKK clients.

Any SKK client who receives wealth management services from SK and decides to invest in one or more of SKK's private equity or real estate fund offerings will receive a waiver of the wealth management fee on those assets. The potential for SK and/or SKK and their members to benefit from investments made in those funds, based on the compensation received, presents a potential conflict in selecting investments to introduce to clients. SK and SKK believe that these conflicts are also mitigated by their investment processes and disclosures. SKK will provide disclosures regarding potential conflicts to any clients to which it introduces opportunities to invest in its private equity or real estate fund offerings and otherwise as necessary.



Please refer to SKK's Form ADV Part 2 for their customary fee structure, how they deal with potential conflicts of interest, and other information.

### **Non-SK Fees**

Clients are subject to fees charged by others such as custodians, broker-dealers and/or investment managers. Fees may include custodial fees, brokerage commissions or other fees or charges associated with securities transactions, mark-ups or mark-downs in principal transactions, deferred sales charges, wire transfer or related processing fees or other charges mandated by law or regulation.

Mutual Fund expenses, including exchange traded funds, in which client assets are invested, impose separate investment management fees and other operating expenses, described in the fund's prospectus, for which the investor will be charged separately from the fee paid for advisory services.

Clients with investments in private funds (including those offered by SKK) are generally charged a management fee and other expenses by the private fund. The manager or investment manager may also receive a portion of the fund profits.

Please see Item 12 for additional information regarding brokerage arrangements.

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

SK may operate under an SKK agreement with its client that provides for performance-based fees. Please refer to SKK's Form ADV Part 2 for their performance based fees and side-by-side management practices.

## **Item 7: Types of Clients**

SK, as sub-adviser to SKK, provides investment advisory services to the following types of clients:

### **Institutional Clients**

Institutional clients include publicly-traded companies, major corporations and law firms, and healthcare and educational institutions. Client account structures include defined contribution plans, defined benefit plans, and other corporate funds.

SKK does not require a minimum account size for institutional clients.

### **Private Clients**

Private clients include ultra-high-net-worth individuals, families, trusts, and family offices.

SKK generally requires a minimum total account size of \$20,000,000 for new private clients.

### **Endowment & Foundation Clients**

Endowment & Foundation clients include educational institutions, donor advised funds, and family, private and community foundations.

SKK does not require a minimum account size for E&O clients.

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

SK utilizes its proprietary research systems to aid in the creation of diversified portfolios. SK's systems incorporate data from several sources including Callan Associates, Morningstar, eVestment and others. Data acquired from these sources is generally considered reliable, but clients should be cautioned that inaccuracies could occur. SK augments its systematic performance data analysis of investments with qualitative research, which may include interviews with managers, review of investment documentation, and other background investigation.

To the extent SK advisory business incorporates or depends on various applications and systems to perform business functions, such as information technology hardware, computer software, the Internet, and related technologies, clients are subject to certain operational and information security risks related to them. Material risks include disruption of SK's normal business activities due to hardware failure, infrastructure disruption, third party attacks on SK's technological resources, unauthorized access to client non-public information, or unauthorized requests for financial transactions. These types of cyber related events may interfere with the processing of client transactions, cause the misappropriation of confidential client information, impair the services of third parties to SK, impact daily operations, or cause reputational damage to SK.

Client portfolio assets are allocated among various asset classes to meet their investment objectives, risk tolerances, and liquidity needs, and then rebalanced to manage risk. Additionally, tactical shifts in asset class allocations are used to adjust for changing capital market scenarios.

SK generally recommends or selects investment managers for client portfolios. Recommended investment structures may include mutual funds, Exchange Traded Funds (ETFs), separately managed accounts, or various alternative investments, such as hedge funds, private equity funds or real estate funds. Each investment vehicle employs a particular investment strategy, which, together with its risks, is described in the investment's prospectus, ADV, offering materials, and/or other disclosures.

Investments in mutual funds or ETFs are subject to the risks stemming from the issuers of the fund's underlying securities. Additionally, shareholders are liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required to distribute them when profits cannot be offset by a corresponding loss. As such, clients may incur tax liabilities even when a fund underperforms.

Alternative investments, such as hedge funds and private credit or equity funds are generally illiquid and subject to various restrictions on redemptions and transfers. Underlying holdings of such funds may also be illiquid, and values reported may not be readily realizable as a result. Clients are advised to carefully review documentation of any such funds for these and other risks and provisions which may limit the accessibility or value of the investment.

In appropriate circumstances, SK will introduce clients to opportunities to invest in private businesses, as determined by several factors such as their level of sophistication, investment objectives, risk tolerances and level of liquidity. SK's process for researching and reviewing private businesses varies from the process that it uses for the selection of investment managers. The review of private businesses is primarily focused on the fundamentals of such companies, including their business model, growth potential, ability to raise capital, personnel, and other factors that bear upon the risks and likelihood of the companies achieving their business objectives. Each private business presents a different set of material risks about which information is provided to clients prior to investment.

SK's introduction of opportunities to invest in affiliated funds and/or in private businesses raises potential conflicts of interest, which are further discussed in Item 11 below.

There are risks that may impact the likelihood of meeting a client's expected long-term goals. These risks include, but are not limited to, a change in a client's needs and objectives, the use of incorrect assumptions in the planning process, implementing an ineffective strategy, and general market risks, including underperformance of individual investments, specific market sectors, or the market as a whole.

Clients are cautioned that all investments involve risk, past performance is no assurance of future performance, and achievement of a client's investment performance goals and preservation of principal are not guaranteed. SK endeavors to mitigate these risks by closely monitoring the current performance of asset classes and investments in client portfolios, as well as assessing changes in the global economy and financial markets.

## Item 9: Disciplinary Information

Registered Investment Advisers are required to disclose all material facts regarding any material legal or disciplinary events regarding their integrity or the integrity of their management personnel. SK does not have any disclosures related to this Item.

## Item 10: Other Financial Industry Activities and Affiliations

As previously discussed, SK, the wealth management division of SKK, is a majority-owned and wholly-controlled subsidiary of SKK. David Shepherd, David Kaplan, and Timothy Krochuk are each one-third owner and managing members of SKK. David Shepherd and David Kaplan are co-CEOs of SK.

David Shepherd, David Kaplan, and Timothy Krochuk are also managing members of, and control, SKK Group, LLC, which serves as the managing member of the general partner or manager of a number of private investment funds. SK personnel may have investments in such private investment funds, as well as in private businesses that, in appropriate circumstances, may be introduced to clients and that may have consulting relationships with SKK.

David Shepherd, David Kaplan, Timothy Krochuk and a non-voting member of SK hold non-controlling minority equity interests in RightCapital, Inc, a financial planning software company. SK and/or its affiliates may, in certain circumstances, use the financial planning software created by RightCapital Inc. to assist in delivering services to clients.

SK is sensitive to the potential conflicts which may arise regarding its relationship with SKK, SKK Group, LLC, and/or private businesses introduced to clients and seeks to ensure that these introductions are made on a fully disclosed basis and only when aligned with its clients' best interests. Additionally, executive management and compliance personnel of each affiliate meet frequently, which facilitates the identification, analysis, and remediation of potential conflicts. SK's policies and procedures for addressing conflicts or potential conflicts of interest that may arise regarding its relationship with SKK or any other affiliate are further discussed in Item 11 below.

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

SK and members and employees of SK may invest in hedge funds, private equity funds and other investments that are also recommended to clients. SK's policies and procedures seek to address conflicts or potential conflicts of interest that may arise in such situations as described below.

SK will introduce to clients, for whom it deems such introductions to be appropriate, investments in one or more of SKK's private equity or real estate fund offerings; however, no such investment introductions will be made to institutional clients subject to ERISA.

The potential for SK and SKK and their members and employees (collectively "SKK Parties") to benefit from SK clients' investments made in those private equity or real estate funds presents a potential conflict of interest.

Hedge funds of SKK will not be available through SK's wealth management services.

In appropriate circumstances SK will present to wealth management clients opportunities for investments in private businesses in which SKK Parties may also invest. SK will also participate with SKK in the offering of certain business acceleration services to one or more such private businesses. Compensation for such services may include securities of such companies and SKK Parties may participate in management or governance of such companies. Additionally, it may occur that SK will utilize products offered by these

private businesses in delivering services to clients.

To the extent SK makes commercial use in its advisory business of products offered by private businesses, and (i) SK presents opportunities for investment in such businesses to its wealth management clients; (ii) SKK Parties have investments in such businesses; and/or (iii) SKK and/or its affiliates offer business acceleration or other consulting services to such businesses, such circumstances may be regarded as a conflict of interest affecting SKK Parties and/or the entities involved.

Where SKK Parties invest in private businesses or funds alongside clients, or participate in management or governance, or receive compensation, including securities, for services from such companies or funds, or utilizes products offered by such companies, conflicts of interest have the potential to arise, including if:

- A particular investment is oversubscribed or demand among clients exceeds the size of the available investment;
- A client's investment in a private fund or business introduced by SK increases the value of an investment held by an SKK Party;
- An SKK Party who has invested alongside a client has access to more information about the investment than the client and sells its position or buys more securities on the basis of that information;
- An SKK Party holds a different position in the company's or fund's capital structure than a client which creates different incentives to vote or take other actions affecting the client's investment;
- An SKK Party's investment involves certain voting rights or confers other powers to influence or participate in the governance of the investee company or fund which may differ from those of a client investor. Those rights and powers can result from serving as a director or officer of an investee company or fund, in which case the member or employee would be obligated to serve the interests of the company or fund, rather than the interests of any advisory client who has invested in that company or fund; or
- An SKK Party is compensated for serving on the board or as an officer of a company or fund in which SK advisory clients have invested, or serves in a consulting or advisory capacity. The receipt of such compensation, or the manner in which compensation arrangements are structured, may create incentives for such an SKK Party to act in a manner that does not prioritize the interests of advisory clients that are invested in the company or fund.

SK believes that potential conflicts are mitigated by its investment process and will provide disclosures regarding potential conflicts, as necessary. Additionally, executive management and compliance personnel meet as appropriate, which facilitates the identification, analysis, and remediation of potential conflicts.

Regulations require investment advisers to adopt a code of ethics. The firm's Code of Ethics (Code) establishes rules of conduct for all supervised persons of SK. Generally speaking, the term "supervised persons" includes members, managers, employees of SK and consultants, if any, who provide advice on behalf of SK and are subject to SK's supervision and control; the term "access persons" includes those supervised persons with access to non-public information about securities recommendations by SK for clients.

SK and its supervised persons must comply with the rules of the Firm's Code of Ethics, their fiduciary duties to clients, and applicable Federal securities Laws. SK's fiduciary duty to its clients require that SK and its supervised persons act with good faith and in the best interests of clients. Provisions of the Code include transaction reporting requirements, requires access persons to obtain approval before they directly or indirectly acquire beneficial ownership in any security in an initial public offering or in a limited offering, and the obligation to report Code violations promptly.

SK's supervised persons invest in securities on behalf of themselves and/or their family members. In some cases, supervised persons invest in the same securities recommended to, or owned by, SK's advisory clients.

These investments create potential conflicts of interest, as discussed earlier. SK monitors access persons' trading activities to mitigate potential conflicts arising from the access persons' personal trading activities.

To implement the Code and mitigate against potential conflicts, SK's actions can include, among other things, restrictions on personal trading of certain securities, requiring divestiture of a personal investment or other steps to mitigate against personal benefit, or additional disclosures to relevant clients.

SK will provide a copy of the Code to any client or prospective client upon request.

No supervised person may trade in a security, either personally or on behalf of others, while in the possession of material, nonpublic information about such security, nor may any personnel of SK communicate material, nonpublic information to others in violation of the law.

## Item 12: Brokerage Practices

The following discussion of brokerage practices relates primarily to SK. Please refer to SKK's Form ADV Part 2A for a discussion of SKK's brokerage practices.

SK allows clients to direct transactions to the broker-dealer of their choice. Additionally, clients may select a custodian of their choice. SK will recommend broker-dealers and/or custodians that we believe best meet the needs of each client. By directing brokerage, clients may not be able to achieve the most favorable execution of transactions and this practice may cost clients more money.

SK does not receive any fees, commissions, or other compensation from any custodian or broker-dealer. SK does not have a "soft dollar" arrangement with any custodian or broker-dealer.

SK does not purchase research or other products or services from any outside sources affiliated with broker-dealers or custodians. SK seeks to negotiate the best terms and pricing from the custodians and broker-dealers for the benefit of our clients.

SK has a reasonable belief that the custodians and broker-dealers recommended by SK are able to obtain best execution and competitive pricing. Additionally, we review the services of broker-dealers recommended by us and recommend the services based on a number of factors such as quality of professional services offered, commission rates, and the custodial platform provided to clients. While we do not seek to exercise discretion to negotiate trades among various brokers on behalf of clients, we attempt to negotiate lower commission rates for our clients with the recommended broker-dealers.

SK reserves the right to decline acceptance of any client that directs the use of a broker-dealer that we believe would adversely affect our duty to obtain best execution and effectively manage the client's assets.

SK does not aggregate transactions; our approach focuses on providing custom portfolios for both short and long-term client specific goals; therefore, we implement clients' transactions separately for each account. Due to this practice, certain client trades may be executed before others, at a different price and/or commission rate. Additionally, our clients may not receive volume discounts available to advisers that block client trades.

If we determine that aggregation of trades in a certain situation will be beneficial to our clients, transactions will be averaged as to price and will be allocated among our clients in proportion to the purchase and sale orders placed from each client account on any given day.

Please refer to SKK's Form ADV Part 2 for their brokerage practices and "soft dollar" arrangements for non-wealth management clients.

### Item 13: Review of Accounts

SK's Investment Committee, co-chaired by David Shepherd and David Kaplan, has the overall responsibility for developing investment strategies, investment selection, and the implementation and monitoring of firm-wide investment processes and controls. Investment advisory consultants and client advisors are responsible for managing each client's portfolio consistent with the client's objectives; however, the entire firm works as a collective team to fulfill our clients' advisory needs.

To support this effort, the firm develops, for each client, an IPS that establishes the goals and objectives for the client's portfolio. Additionally, specific asset allocation targets, rebalancing limits, investment monitoring criteria, cost controls and investment restrictions are discussed and defined for each portfolio.

These guidelines are integrated with the firm's proprietary technology to enable the review of portfolios and investments to monitor for client suitability and compliance. The system automatically generates alerts when portfolio investments and allocations do not comport with defined guidelines. The automated IPS is a powerful risk management tool which permits senior management and investment advisory consultants to efficiently monitor portfolios on an ongoing basis. Client portfolios are regularly reviewed and SK personnel strive to meet with clients at least quarterly.

**Institutional Portfolio Review includes an examination of the following account information:**

- Asset allocation,
- Investment selection,
- Revenue recapture account,
- Investment share class comparison,
- Account performance, and
- Verification that plan objectives, goals and needs are being met.

**Private Portfolio Review includes an examination of the following account information:**

- Asset allocation,
- Investment selection,
- Cash account levels,
- Account performance, and
- Verification that client objectives, goals and needs are being met through financial planning.

**Access Persons who conduct portfolio reviews:**

- David Shepherd – Co-CEO
- David Kaplan – Co-CEO
- Michael Halloran – Member, Managing Director, Institutional Practice
- Shawn Samperi – Member, Senior Advisor
- Whitney Solcher – Member, Senior Advisor
- Chris Cole – Member, Senior Advisor
- Eric Scruggs - Senior Advisor
- Amy Kaser – Senior Advisor
- Cian Desmond – Director, Alternative Research
- Dana James – Senior Analyst
- Rudolph Kluiber – Portfolio Manager

**Standard written client reporting includes:**



**Performance Report:** SK client account performance reports contain both time-weighted return (TWR) as well as internal rate of return (IRR). Return calculations include realized gains, unrealized gains, interest, dividends, changes to accrued interest, and management fees. Performance reports show total portfolio return as well as the return of underlying investments for current and past holdings.

**Investment Monitoring:** SK monitoring reports track the performance of each investment within the client's portfolio relative to peers and indices. Monitoring criteria includes: volatility, performance relative to risk, portfolio concentration, expense ratios/fees, and correlation to style or peer group.

**Investment Search:** SK investment search reports present the client with comprehensive comparative reporting on investment candidates within each asset class under review. An investment asset class search is conducted before recommending an investment change, or if a client requests a review of a currently held or new investment manager. This report is used internally and in consulting with clients.

**Portfolio Matrix:** SK portfolio matrix reports show an aggregated view of all investment accounts for private and defined benefit clients. The report displays investments in their respective asset classes along with target and actual allocations.

Quarterly client reporting is provided electronically through our password protected website and is also available in hard copy format.

## Item 14: Client Referrals and Other Compensation

In appropriate circumstances, SK or an affiliate may enter into arrangements to compensate third parties for referring wealth management clients to SKK in accordance with written agreements that comply with Rule 206(4)-3 of the Investment Advisers Act of 1940 (the Act) and other legal requirements. Whenever a third party is compensated for a client referral, SK and SKK require such third party to provide the prospective client with a current copy of their Forms ADV Part 2 (i.e. this document) and a separate disclosure describing:

- The name of the solicitor and the nature of the relationship with SK or the affiliate;
- A statement that the solicitor is being compensated for his/her services by SK or the affiliate;
- The terms of such compensation arrangement, including a description of the compensation paid or to be paid to the solicitor; and
- Whether the client's fees will be increased beyond SKK's normal fees to compensate the solicitor.

Such compensation is disclosed to, and approved by, affected clients, as required by Rule 206(4)-3. As a matter of firm practice SKK does not charge a client any additional amount or a higher advisory fee due to such an arrangement.

Certain SK employees and members receive compensation dependent upon revenues attributable to that person's role in bringing such revenues to the firm or in connection with which the person provides material investment advisory services.

## Item 15: Custody

Pursuant to Rule 206(A)-2 SK is deemed to have custody of client assets for certain accounts. SK uses qualified institutional custodians to hold client funds, who will provide account statements directly to account holders no less frequently than quarterly. Clients should carefully review those account statements and are urged to compare them to reports provided by SK.

## Item 16: Investment Discretion

SK has discretionary authority to manage some accounts on behalf of clients. In such cases, clients sign an SKK discretionary management agreement, in which, by the terms of the agreement, discretionary authority is conferred to SK in its capacity as sub-advisor. This authority enables SK to determine the composition of the client's portfolio, subject to any limitations the client imposes. In addition, the client and SK work together to create a discretionary IPS, and the investment advisory consultant implements the agreed-upon investment plan. Investment research, monitoring, performance reporting and review of account processes are the same as for nondiscretionary relationships; however, meetings will generally be less frequent than quarterly for discretionary clients; please see Items 4, 8 and 13 for further information regarding procedures followed.

For defined contribution plans, SK may accept investment discretion in its capacity as sub-adviser over some or all of the Plan-level investment decisions and may also assume responsibility as the "named fiduciary" for some or all plan-level investment related matters. The named fiduciary level of discretion includes establishing an IPS, selecting the designated investment alternatives (DIAs) that will be offered to participants for investment, monitoring of the DIAs and, as necessary, removing, replacing, or adding any DIAs.

## Item 17: Voting Client Securities

The following discussion of proxy voting practices relates primarily to SK. Please refer to SKK's Form ADV Part 2A for a discussion of SKK's proxy voting practices.

SK does not have and will not accept authority to vote proxies on behalf of advisory clients. The firm may offer assistance on proxy matters upon client request. Clients retains proxy voting responsibilities and will receive their proxies or other solicitations directly from their other service providers, such as custodians, transfer agents, etc.

## Item 18: Financial Information

SK does not require or solicit prepayment of client fees six months or more in advance of service. SK believes that it has the financial resources to perform its contractual obligations to its clients and is aware of no obligation or condition that would impair its ability to do so. SK has not been the subject of a bankruptcy petition.