

# Dix Hills Partners, LLC

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of Dix Hills Partners, LLC (“Dix Hills” or the “Company”). If you have any questions about the contents of this brochure, please contact us at 516-393-9135. 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. The Company is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

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

## Material Changes

Material changes have occurred within the Company since our last filing on March 26, 2013. As of February 28, 2014, Dix Hills no longer manages assets for Federated Investors, Inc. A significant portion of the Company's AUM was attributable to these assets, and consequently, on February 28, 2014, the Company's AUM decreased to \$29 million, having previously been \$165 million on January 1, 2014. Effective March 31, 2014, Dix Hills has terminated its contract with our one remaining wrap program sponsor, which utilized our long-only fixed income approach. While the assets of the wrap program were relatively small, the loss of the significant number of accounts contained therein explains the relatively large decline in the number of accounts managed by Dix Hills. Finally, as the Company has decided to focus on our Global Alpha Portfolio strategy as our flagship, Dix Hills intends to close the Alternative Treasury Strategy, LLC Fund effective March 31, 2014. Participating investors in that Fund will have the choice to transfer their assets to the DHP Strategies, LLC - Global Alpha Portfolio. While the loss of the aforementioned assets affects the Company's top line revenue, the management team of Dix Hills believes the loss will not affect its ability to manage client assets as our existing financial resources enable us to retain the personnel necessary to effectively manage these assets.

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## Advisory Business

Dix Hills was founded in 2003 and registered as an investment adviser with the SEC in 2004. The Company is principally owned by MJB Holdings, LLC which is owned by Mr. Joseph Baggett. As of March 1, 2014 Dix Hills managed \$29 million on a discretionary basis on behalf of approximately 5 clients.

Dix Hills provides the following advisory services:

- ***Discretionary and non-discretionary investment advisory services to separately-managed private client accounts (“Separate Accounts”).*** Dix Hills manages its Separate Accounts’ assets based on the individual needs and objectives of each Separate Account. At the onset of a Separate Account relationship, Dix Hills identifies each Separate Account’s specific investment objectives and/or restrictions. Separate Accounts may impose restrictions on their account based on specific security type, duration range, direction and other risk parameters. All objectives and restrictions shall be contemplated in the Separate Account’s agreement with Dix Hills. Certain of the Separate Accounts are non-discretionary and, therefore, the Company provides the Separate Account with its investment recommendations and is not responsible for their implementation. In all cases, the Company is compensated with management fees based on the assets under management and/or performance fees.
- ***Private Investment Funds (“Funds”).*** Dix Hills provides investment advisory services to private investment funds which are available only to investors who meet the definition of a “qualified purchaser” as the term is defined in the Investment Company Act of 1940. Additionally, investment objectives and restrictions for the Funds are contemplated in the relevant governing documents.
- ***Discretionary investment sub-adviser to mutual funds (“Mutual Funds”).*** Dix Hills serves as a sub-investment adviser to Mutual Funds advised by third parties.
- ***Discretionary and Non-Discretionary sub-advisory services to third-party advisers.*** Dix Hills provides an investment model to certain third-party advisers on a non-discretionary or discretionary basis for which we are compensated on assets under management.

The Separate Accounts, Funds, Mutual Funds, and other sub-advisory relationships are hereto referred to as the “Clients.”

As discussed in greater detail below in the Methods of Analysis, Investment Strategy, and Risk of Loss section, a significant portion of Dix Hills’ advisory services are derived from applying the Company’s proprietary research methodology and frameworks to the US and global bond markets. Dix Hills implements the following standard investment strategies around two major Client objectives: Absolute Return and Relative Return. Strategies will generally consist of a “core portfolio” and an “overlay”, or active management component to seek alpha. Using the same proprietary methodology and frameworks, Dix Hills also manages customized strategies within certain Separate Accounts that elect for customized parameters, typically by either altering the core portfolio or customizing the overlay strategy. These overlays can be implemented by adjusting the core portfolio with cash securities or through the use of liquid futures contracts in concert with the core portfolio.

Additionally, fees for any non-discretionary services would generally be based upon an advisory contract between the client and Dix Hills, reflecting the total assets that are being affected by the recommendations of Dix Hills.

## Fees and Compensation

The general fees and conditions identified below are subject to change or modification based on Client or investor size, relationship, and investment objective.

### *Separate Accounts*

Dix Hills negotiates advisory fees with each individual Separate Account, which are subject to change depending on several factors, including (i) the amount of assets the Separate Account will have under Dix Hills' management, (ii) the Separate Account's investment objective/duration exposure, and (iii) whether the Separate Account is a current Client or related to a current Client with existing assets under management. Generally we seek to achieve a value-based fee structure, setting our advisory fees based on the amount of potential value we offer the Separate Accounts, which is determined by the exposure to our strategies. In any particular circumstance, additional factors may be considered that may affect the amount of the management and/or performance fees.

Dix Hills' basic annual fee schedule, which is used as a starting point for most fee negotiations for Separate Accounts is as follows:

Alternative Treasury Strategy ("ATS") – Dix Hills generally charges a 1.0% annual management fee and a 20% incentive fee based on net performance for accounts with the minimum account balance noted in the section of this document entitled *Types of Clients*.

Enhanced Fixed Income Strategy ("EFIS") – Dix Hills generally charges an annual management fee of 25 basis points and a 20% incentive fee based on net out-performance over the benchmark established with each Separate Account within this strategy which will be tailored to each portfolio. Fees are based on accounts with the minimum account balance noted in the section of this document entitled *Types of Clients*.

Global Alpha Strategy ("Global Alpha") – Dix Hills generally charges a 1.0% annual management fee and a 20% incentive fee based on net performance for accounts with the minimum account balance noted in the section of this document entitled *Types of Clients*.

Customized Fixed Income and Overlay Strategies – Dix Hills generally charges a management fee and a 20% incentive fee based on net performance for accounts based on the strategy's potential value-added with the minimum account balance noted in the section of this document entitled *Types of Clients*.

Fees for Separate Accounts will be based on the strategy to be implemented together with the assets to be managed (e.g. either the account's total assets under management or the notional balance based on the IMA) and in most cases will also include an incentive fee, which will be based on net performance. Fees for accounts with less than minimum balances, or those with special circumstances, may be higher. The performance is determined by the relevant custodian's or futures commission merchant's records. Subject to a high-water mark, a performance fee will be applied to any net positive performance calculated for each individual Separate Account. The fee arrangements are detailed in the relevant Investment Advisory Agreement with each Separate Account. Fees are typically charged quarterly in arrears and are invoiced to the Separate Account.

Separate Accounts bear indirectly certain fees and expenses. Such fees vary, but typically include (but are not limited to) the following: (1) custodial and (2) transaction fees and costs and commissions paid to custodians, broker-dealers and other third parties. Please refer to the Brokerage Practices section for additional disclosure regarding trading costs.

Fees are pro-rated for partial periods. Separate Accounts generally may terminate advisory relationships with 5 business days prior written notice.

As part of managing separate accounts, Dix Hills may invest in other financial products that charge fees including management fees or performance fees to the Clients such as money market funds, exchange traded funds, mutual funds, or other private investment vehicles. As a result, investors will indirectly bear such fees through their investment in the Accounts.

### ***Private Investment Funds***

Investors in the Fund following the ATS strategy are charged management fees as set forth in the governing documents of the Fund. Additionally, this Fund charges a 20% incentive fee based on the net positive performance subject to a high-water mark. As the Company intends to close this Fund, these investors will have the opportunity to transfer their assets to DHP Strategies, LLC - Global Alpha Portfolio.

Investors in the Fund following the Global Alpha strategy are charged a management fee as set forth in the governing documents of the Fund. Additionally, this Fund charges a 20% incentive fee based on the net positive performance, subject to a high-water mark.

Dix Hills Associates, LLC (“DHA”), an affiliate of Dix Hills with common ownership, provides certain administrative and management support services to the Funds. DHA receives the fees paid by certain of the Funds. On behalf of the Funds, Dix Hills has the authority to charge prorated early redemption fees on investors’ capital withdrawals made before one full year of investment for the Fund following the ATS strategy. The Global Alpha Fund does not have an early redemption fee. Dix Hills may, in its discretion, waive or rebate any or all of the management fee, incentive fee, or redemption fee for any capital account or shareholder without entitling other capital accounts or shareholders to a similar waiver or rebate. Each Fund is responsible for all expenses attributable to it, including investment related expenses, legal expenses, accounting and audit expenses, administrative expenses, management and incentive fees, and other expenses.

The Funds may invest in other financial products that charge fees including management fees or performance fees to the Funds such as money market funds, exchange traded funds, mutual funds, or other private investment vehicles. As a result, investors will indirectly bear such fees through their investment in the Funds. Management fees are charged quarterly in arrears and incentive fees are charged annually to the Funds.

### ***Mutual Funds***

Dix Hills serves as a sub-adviser to Mutual Funds. Dix Hills typically receives a portion of the total management fees charged to the investors by the Mutual Fund sponsor. In all cases, Dix Hills seeks to achieve a value-based fee structure setting our advisory fees based on the amount of potential value the Dix Hills strategy offers the Mutual Fund with consideration to the potential assets under management.

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

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

The fact that Dix Hills is compensated based on profits may create an incentive for Dix Hills to make investments on behalf of Clients that are riskier or more speculative than would be the case in the absence of such compensation. A performance based fee also creates an incentive for Dix Hills to favor Clients that pay a performance based fee over other accounts that are charged a different fee structure. In addition, the performance based fee received by Dix Hills is based primarily on realized and unrealized gains and losses. As a result, the performance based fee earned could be based on unrealized gains that Clients may never realize. Dix Hills' strategy involves a consistent application of its investment recommendations for all Clients and therefore it believes the risk of favoring certain Clients is mitigated.

## **Types of Clients**

Dix Hills primarily provides customized investment advisory services to Separate Accounts of institutions globally, including pension and profit sharing plans, banking institutions, investment companies and investment advisers, corporations or business entities, state and local governments, as well as individuals and associated trusts. Dix Hills also provides investment advisory services to Mutual Funds and the Funds. When Dix Hills provides investment advice to the Funds, it does so directly to the Funds and not to the limited partners, members, or shareholders of any Fund.

Dix Hills generally requires the following minimum account size for Separate Accounts.

*ATS, Global Alpha:* \$5 million

*Customized Strategies/Overlays, EFIS:* \$10 million

*Funds:* Investors in the Funds must commit a minimum of \$1 million in capital.

Dix Hills may at its discretion accept investments below the above amounts.

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

### ***Absolute Return Investment Strategies***

Dix Hills manages Client accounts in accordance with investment guidelines established for each Client. As discussed in greater detail below, all of Dix Hills' advisory services are derived from its proprietary research methodology. Dix Hills implements the following investment strategies:

#### **Alternative Treasury Strategy (ATS)**

ATS is an absolute return strategy based on Dix Hills' proprietary US Duration Framework which anticipates short-term movements in US Treasury obligations. ATS' core portfolio consists of short-term cash and cash equivalents, combined with an active duration overlay. The overlay is implemented through long or short exposure to the 10 year US Treasury Note or a futures position replicating this

exposure. ATS is specifically designated as the US Duration Framework set with a +/- 12 year duration band.

As ATS is designed as an absolute return strategy, our internal benchmark is US short-term cash or cash equivalents.

ATS is available to Clients through fully funded or notionally funded Separate Accounts and to investors in one of the Funds managed by Dix Hills.

Additionally, Dix Hills can and does employ the US Duration Framework through an overlay to a core of short-term cash or other assets with a customized duration band or range greater or lesser than +/-12 years as the Client determines. These accounts can be fully funded or notionally funded at the Client's discretion.

### Global Alpha

Global Alpha is a multi-strategy portfolio that applies the Company's long-standing, fundamentally-driven philosophy for predicting US interest rate dynamics to multiple global markets that offer high liquidity. In order to maximize risk-adjusted returns, Global Alpha seeks to blend those strategies that have sufficiently low correlation.

The Global Alpha portfolio consists of short-term cash and cash equivalents, and is combined with a blend of a select set of Dix Hills' active investment frameworks employed as overlays. At the core of Global Alpha are Dix Hills' component global sovereign fixed income market frameworks. Dix Hills may add additional frameworks developed through the Company's research to the extent that they independently demonstrate alpha generation while improving diversification of the existing Global Alpha portfolio.

As Global Alpha is designed as an absolute return strategy, our internal benchmark is US short-term cash or cash equivalents.

Global Alpha is available to Clients through fully funded or notionally funded Separate Accounts and to investors in the Fund managed by Dix Hills.

### Customized Overlay Strategies

At a client's request, Dix Hills will consider managing accounts where we apply our interest rate investment decisions through a futures overlay in conjunction with an existing portfolio or an actively managed portfolio of US Treasury securities customized to the client's objectives. The guidelines are typically set by the client based on their specific objectives. These strategies are available to clients through fully funded or notionally funded Separate Accounts at the account minimums mentioned above.

## ***Relative Return Investment Strategies***

### **Enhanced Fixed Income Strategy (“EFIS”)**

EFIS is Dix Hills’ enhanced fixed income strategy designed for institutions seeking to outperform their core fixed income benchmark (relative return). EFIS consists of a core portfolio represented by a passively managed index fund of the client’s choosing, combined with a customized duration overlay using futures contracts on 10 year US Treasuries, German Bunds, Japanese JGBs and UK Gilts. The duration overlay is effected through the active management of the futures contracts and through the lengthening or shortening of duration based on the Company’s proprietary duration frameworks forecasts each month in each country. The duration range is typically bounded using 40% of the directional futures exposure of our Global Alpha Strategy. The objective of EFIS is for the duration adjustment to enhance the total return over a market cycle, enabling the overall portfolio to outperform the selected passively managed index portfolio, which would be the Strategy’s benchmark.

EFIS is easily customized for participants by changing either the core portfolio and/or adjusting the duration band or range, all designed based on the Client’s risk/return objectives

EFIS is available to Clients through fully funded or notionally funded Separate Accounts.

### ***Research Process***

The Dix Hills methodology is based on a dynamic investment process developed to exploit the near-term predictability of interest rate movements. The foundation is a quantitative research discipline that uses precise, widely available, macroeconomic, valuation and technical variables to forecast the movement of interest rates in the US, UK, German, and Japanese treasury markets. Over 50 years of data incorporating these same variables was researched in developing this methodology. The research is applied to client assets each month through several portfolio applications by adjusting a portfolio’s duration as generally outlined below.

Data for Dix Hills’ research methodology comes from government sources, such as the Federal Reserve and the US Department of Labor among others. Additionally, publicly available data from non-governmental entities such as industry trade groups and pricing data from public sources globally such as Standard and Poor’s are also utilized. Dix Hills accesses the data either directly (via source websites) or through “data vendors” with whom it has contractual service agreements.

These factors are inputs to Dix Hills’ research methodology. As a result, the Company does not rely on any third party or “street research” to generate investment advice.

### ***Risks***

An investment in the strategies managed by Dix Hills entails a certain degree of risk and therefore should be undertaken only by Clients and investors capable of evaluating and bearing the risks that are present. Investing in securities involves risk of loss that all Clients and investors should be prepared to bear. Investing in notional accounts will magnify losses, and could result in a Client losing more than its original investment.



## **Disciplinary Information**

Dix Hills and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a Client's evaluation of the company or its personnel.

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

Federated Investors, Inc. ("Federated"), an SEC registered investment adviser, owns a non-voting, minority interest in both Dix Hills and DHA. Federated may provide cash management services to Dix Hills' Separate Accounts and the Funds for which Clients or the Funds pay a fee to Federated.

Dix Hills' co-founder and Chief Executive Officer is a registered representative of Aurus Advisors, Inc. ("Aurus"). There is no common ownership between Dix Hills and Aurus, and Dix Hills does not execute any trades with Aurus. Dix Hills maintains a solicitation arrangement with Aurus whereby Aurus is compensated for the referral of new clients and/or investors to Dix Hills. The registered representative, as an executive of the firm, does not actively participate in the solicitation agreement with Aurus.

DHA, an affiliate of Dix Hills, acts as investment manager to certain of the Funds.

Dix Hills is a registered commodity trading adviser and a registered commodity pool operator with the Commodity Futures Trading Commission, and a Member of the National Futures Association.

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

To avoid any potential conflicts of interest involving personal trades, the Company has adopted a Code of Ethics ("Code"), which requires, among other things, that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of the Company above one's own personal interests;
- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- Avoid or disclose any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect positively on yourself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve your professional competence and strive to maintain and improve the competence of other investment professionals.
- Comply with applicable provisions of the federal securities laws.

The Code requires Employees to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide Dix Hills with a detailed summary of certain holdings and accounts, upon commencement of employment and annually thereafter, over which such Employees have a direct or indirect beneficial interest. A copy of Dix Hills' Code shall be provided to any client, investor, or prospective client or investor upon request at no charge. A copy of the Code can be obtained by contacting Mr. William Gordon, Dix Hills' Chief Compliance Officer ("CCO") at 516-393-9135.

The Company and its related persons, including its employees, may invest their personal funds in the Funds, and, therefore, such persons may hold the same securities as other investors in the Funds. In addition, Dix Hills and its related persons may own securities in their personal accounts that are also recommended by the Company to its Clients. The Company has adopted certain policies to help ensure that such trading by its personnel does not adversely affect the interests of its Clients, including pre-clearance requirements for certain personal transactions.

Mr. Joseph Baggett manages personal "incubator accounts" in accordance with investment strategies that are also pursued in existing Client accounts. Mr. Baggett engages in such management activities in order to develop investment products or mandates that may be suitable for Clients at some point in the future. Each of the strategies currently managed within the "incubator accounts" have been implemented on behalf of Client accounts. It is the policy of Dix Hills that all trades executed for the above mentioned "proprietary" accounts are executed in aggregate with our Clients whenever possible; this policy is in place to ensure that all Clients are being treated fairly and not harmed. Dix Hills understands the potential conflicts of interest associated with the investment allocation process and has undertaken to ensure a fair and equitable allocation of investments. The CCO or his designees review all such securities transactions on a regular basis.

## **Brokerage Practices**

Dix Hills is normally granted the power and authority in its sole discretion to select brokers-dealers or futures commission merchants to execute purchases and sales of securities for the discretionary Separate Accounts and the Funds. Dix Hills' selection of trading counterparties is guided and/or limited by (i) its responsibility to act as a fiduciary when handling Clients' accounts, (ii) the disclosures and/or limitations contained in the offering documents for the Funds and (iii) its obligation, subject to the conditions specified in its disclosures and agreements with Clients or investors in the Funds, to select brokers or futures commission merchants who offer best execution on trades.

Dix Hills may negotiate commissions with broker-dealers or futures commission merchants on behalf of the Funds. While Dix Hills has the authority to select broker-dealers and futures commission merchants, typically, Dix Hills prefers to execute its Clients' futures transactions through one futures commission merchant selected by the Company. This is not the case for Separate Accounts that direct Dix Hills to use a specific broker or futures commission merchant. The execution of futures with the futures commission merchant is to help facilitate fair treatment to Clients across similar strategies. Cash securities are executed via an electronic trading interface to attempt to receive best execution through a competitive bid/offer process. Dix Hills is not obligated to use the futures commission merchant and in the event that Dix Hills identifies a broker-dealer or futures commission merchant who provides an overall more attractive combination of execution quality, price and service deemed more helpful in meeting our responsibilities than the current futures commission merchant, Dix Hills will use the alternate broker-dealer or futures commission merchant.

Dix Hills will accept direction from Separate Accounts or agree to limitations with respect to Dix Hills trading discretion as to which broker-dealer or futures commission merchant to be used and what commissions are to be paid. Any such direction or limitation must be in writing. Separate Accounts which, in whole or in part, direct Dix Hills to use a particular broker or futures commission merchant to execute transactions for their accounts should be aware that, in so doing, they may adversely affect Dix Hills' ability to, among other things, obtain volume discounts on bunched orders or to obtain best price and execution, and the cost of the transaction may be greater. Separate Accounts that direct Dix Hills to use particular broker-dealers or futures commission merchants to execute transactions are responsible for negotiating commission rates with the broker. To the extent that Separate Accounts direct brokerage and negotiate their own commission rates it is possible that such Separate Accounts may have commission arrangements that are more or less favorable than other Clients. Finally, Separate Accounts that direct their brokerage should be aware that Dix Hills will generally place such trades subsequent to the initiation of trades for other Clients that do not direct their brokerage. As a result, client accounts that request or are subjected to a directed brokerage arrangement may receive different outcomes as a result of differing transaction costs and timing of execution.

As a part of their relationship, Dix Hills' primary futures broker may from time to time refer investors to the Funds. Neither Dix Hills nor the Funds compensate the counterparty for organizing such potential capital introductions. Dix Hills Partners is aware of the potential conflict of interests this may pose. All decisions on choosing such a counterparty are always subject to due diligence, including the Company's best execution policy. All potential conflicts are managed by adhering to our Compliance Manual and Code of Ethics and policy and procedures.

In addition to the services already described, Dix Hills may provide certain investment advisory services on a non-discretionary basis. Generally, Dix Hills will provide advice and/or place trades for non-discretionary accounts only after it has completed trading for its discretionary accounts.

Dix Hills seeks to execute orders for all of the participating Clients on an equitable basis. For cash bond trades, we seek to invest through a competitive bidding process and execute bunched orders for multiple clients who hold or are to purchase or sell the same security. Each Client will receive their proportionate share of the block trade. With selected accounts, at the Client's direction, Dix Hills will give instructions to a broker dealer for the purchase and sale of cash Treasuries. In regard to futures orders, if Dix Hills has determined to invest at the same time for more than one Client, Dix Hills may place combined orders for all such Clients simultaneously. To the extent that the futures order is traded with the same futures commission merchant, and if any order is not filled at the same price, the prices received may be averaged where the exchanges support average pricing. In these circumstances, each Client would pay, in connection with the acquisition of securities by more than one Client, the average price per unit acquired, which may be higher than if it had acted alone, and it may otherwise not be able to execute an investment decision as effectively as it could have if it had acted alone. If the exchanges being utilized do not support average pricing, Dix Hills employs the allocation fairness method to assure clients are treated fairly. The allocation fairness method seeks to ensure that each participating client account receives a price that is materially the same as the average price by manually allocating each trading lot purchased or sold on a particular day. To the extent that a Client directs Dix Hills to utilize a broker/futures commission merchant other than the futures commission merchant selected by Dix Hills for executions, it will not be included in an aggregated order. As a result, client accounts trading outside of the bunched orders may receive different outcomes as a result of the timing of their orders.

As a result of the differing strategies employed by Dix Hills for different Client accounts, at certain times Clients may have opposing positions in the same security.

## **Review of Accounts**

Joseph Baggett, Portfolio Manager for the Clients, reviews portfolios at least once each calendar month and on each re-positioning date, which takes place monthly. The duration exposure or contracts outstanding may be adjusted based on asset levels or the required benchmark duration for the account or strategy. The determining factor for the monthly re-positioning will be our monthly research analysis. Intra-month cash and futures transactions may take place in order to adjust exposure based on a change in assets under management, for risk management purposes, or to roll futures contracts prior to expiration.

The CCO or his designees review portfolios on a regular basis for compliance with regulatory restrictions and compliance with guidelines.

Investors in the Funds receive monthly account statements from each Fund's independent third party administrator. Monthly Composite Performance Reviews are issued by Dix Hills for all those investors in the Funds and Separate Accounts. Investors in the Funds also receive annual audited financial reports certified by independent public accountants within 120 days of the fiscal year end.

Separate Accounts receive quarterly statements outlining their fees based on their performance, all based on the Separate Account's custodial statements.

All Separate Accounts are held at the Separate Account's custodian or FCM and therefore they receive monthly statements directly from their selected custodians or FCM as agreed upon by the Separate Account and the custodian or FCM.

## **Client Referrals and Other Compensation**

Dix Hills has entered into agreements with certain unaffiliated third parties for the solicitation of Clients and/or Fund investors for Dix Hills. All such solicitation arrangements relating to Clients will comply with Rule 206(4)-3 under the Investment Advisers Act of 1940. Under the terms of these arrangements, which are fully disclosed to any solicited Clients and/or investors, Dix Hills pays the third-parties a portion of the fees generated by any solicited Clients and/or investors.

## **Custody**

All Client assets are held in custody by unaffiliated broker/dealers or banks; however Dix Hills may have access to the Funds' accounts since it serves as the Managing Member (General Partner) to the domestic Funds. Monthly statements are sent to each limited partner by each Fund's independent third-party administrator. The Funds are subject to an annual audit and the audited financial statements are distributed to each limited partner. The audited financial statements will be prepared in accordance with generally accepted accounting principals and distributed within 120 days of the partnership's fiscal year end.

## **Investment Discretion**

Except for any non-discretionary relationships, Dix Hills has discretion to buy, sell, or otherwise acquire or dispose of securities for its Client's accounts, including the Funds. Authority to conduct transactions with discretion is provided through a limited power of attorney within an investment management agreement between a Separate Account and Dix Hills or through the governing documents of the Funds. For Separate Accounts, the investment management agreement outlines the specific types of securities to be bought or sold. The investment guidelines of the strategy set the limit of the duration range for each account, which, together with the account balance or notional account size, translates into the amount of securities allowed to be bought or sold. For the Funds, the confidential offering documents generally state that Dix Hills' authority is not limited.

## **Voting Client Securities**

The Company's obligation to vote proxies on behalf of its Clients is limited. Typically, Dix Hills will be required to vote proxies relating to routine matters for the money market funds that are held in Client accounts. Notwithstanding, the Company will be responsible for voting Client proxies in cases where it has discretionary authority. The Company has developed a written policy and procedures governing its activities in this area. In general, the policy requires the Company to vote Client proxies in the interest of maximizing shareholder value. In addition, the Company maintains a record of all proxy votes cast on behalf of Clients. If a material conflict of interest over proxy voting arises between the Company and the Client, the Portfolio Manager and the CCO will consider the proposal by reviewing the proxy voting materials and any additional documentation necessary in determining the appropriate vote. Separate Accounts and investors in the Funds may contact the Company for a copy of the policy or information with respect to a specific client proxy vote, at no cost.

## **Financial Information**

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