



### Item 1 – Cover Page

## Baker Avenue Asset Management, LP Form ADV Part 2A Disclosure Brochure

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March 27, 2015

Form ADV, Part 2, BakerAvenue’s “Disclosure Brochure” or “Brochure” is required by the Investment Advisers Act of 1940. This Brochure provides information about BakerAvenue’s qualifications and business practices.

For any questions about the contents of this Brochure, please contact BakerAvenue at [info@bakerave.com](mailto:info@bakerave.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Regulatory Authority.

BakerAvenue is a Registered Investment Adviser with the Securities and Exchange Commission and its registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications provided to Clients, including this Brochure, are information used to evaluate BakerAvenue, as well as other advisers.

Additional information about BakerAvenue and its employees is available for free, through the Securities and Exchange Commission “public disclosure” website. This site is called “Investment Adviser Public Disclosure” and is available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). To use Public Disclosure, click the link, then select “Investment Adviser Search” on the left navigation panel, select “Firm,” and type in Baker Avenue Asset Management, LP. Both ADV Parts 1& 2 are available for access.

## Item 2 – Material Changes

BakerAvenue updates this document annually, or more frequently in the event of certain material changes.

This section includes “material changes” that have been incorporated since BakerAvenue’s last delivery or posting of this document on the SEC’s public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Pursuant to SEC Rules, BakerAvenue will ensure that Clients receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year, and may further provide other ongoing disclosure information about material changes as necessary.

This disclosure document, dated March 27, 2015 includes material changes since the last annual update on March 21, 2014. Clients may download a copy of this brochure from the SEC website or contact one of BakerAvenue’s Chief Compliance Officers, Jerry Luff and Hannah Kim at 415-986-1110. They are also available by email at [jl@bakerave.com](mailto:jl@bakerave.com) and [hk@bakerave.com](mailto:hk@bakerave.com).

### Amendment to Item 4 – Advisory Business

1. Baker Avenue Asset Management, LP also conducts its business as BakerAvenue.
2. Assets under management have been amended to \$1.230bln (\$928m on a discretionary basis and \$302m on a non-discretionary basis).
3. SimonBaker & Partners, LLC, (“SB&P”) is an affiliate and “relying adviser” to BAAM.
4. The Small and Mid-Cap Core strategy is no longer offered therefore has been removed.
5. Addition of the Blue Chip Impact strategy (see Item 8 for full details).
6. Addition of Global Multi-Asset Class Income strategy (see Item 8 for full details).
7. Addition of the Prudent Core strategy (see Item 8 for details).

### Amendment to Item 5 – Fees and Compensation

1. The minimum account size for Separate Account Clients has been amended to \$500,000 from \$1,000,000 and is negotiable.
2. BakerAvenue may charge a Performance Fee to certain Separate Account Clients comparable to those charged to Fund investors.

3. Baker Avenue may charge an hourly fee for certain services.
4. Fees or rebates on flow that are calculated to be less than \$100 will be waived unless requested by the Client.

#### Amendment to Item 7 – Types of Clients

1. The minimum account size for Separate Account Clients has been amended to \$500,000 from \$1,000,000 and is negotiable under special circumstances.

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

1. Baker Ave Opportunities Fund LP: BAAM is the general partner and investment adviser to the Fund, and SB&P has been added as a sub-adviser to the Fund.
2. A comprehensive list of investment risks has been added.
3. Great Gable Partners, LP is no longer the sub-adviser to the Small and Mid-Cap Core Strategy and the strategy is no longer offered. The description has been removed.
4. The description of the Blue Chip Impact strategy has been added.
5. The description of the Global Multi-Asset Class Income strategy has been added.
6. The description of the Prudent Core strategy has been added.

#### Amendment to Item 10 – Other Financial Industry Activities and Affiliations

1. Simon Baker is the principal executive officer of BAAM and SB&P.
2. SB&P is a “relying adviser” to BAAM.
3. Baker Avenue has entered into a solicitation agreement with certain third-party managers in which the firm is paid a percentage of the fees the third party manager receives from such introduced Clients.

#### Amendment to Item 11 – Code of Ethics

1. Great Gable Partners, LP is no longer a sub-adviser to Baker Avenue and all references to Great Gable Partners, LP (“GGP”) have been removed.

Amendment to Item 12 – Brokerage Practices

1. This item has been updated to reflect BAAM's soft dollar use since the last fiscal year.
2. Great Gable Partners, LP is no longer a sub-adviser to BakerAvenue and all references to Great Gable Partners, LP ("GGP") have been removed.

Amendment to Item 17 – Voting Client Securities

1. BakerAvenue may vote for proxies on behalf of its Client discretionary accounts and has engaged Glass Lewis & Co. to assist with the physical proxy voting matters.

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## Item 4 – Advisory Business

**Baker Avenue Asset Management, LP**, also doing business as BakerAvenue (“BAAM”), is an SEC-registered investment advisor founded in 2004. **SimonBaker & Partners, LLC**, (“SB&P”) an affiliate of BAAM founded in 2014, is a “relying adviser” to BAAM in reliance on the SEC No-Action Letter to the American Bar Association’s Subcommittee on Hedge Funds, Dated January 18, 2012. Unless specified otherwise, references in the Brochure to “BakerAvenue” include both BAAM and SB&P. The principal owner of BakerAvenue is Simon Baker.

As of March 26, 2015, BakerAvenue managed a total of \$928m on a discretionary basis and \$302m on a non-discretionary basis for a total of \$1.230bln.

BakerAvenue provides portfolio management services to separately managed accounts (“Separate Accounts”) and a privately placed investment fund, Baker Ave Opportunities Fund LP (the “Fund,” and together with the Separate Accounts, the “Clients”). BakerAvenue generally provides services on an investment discretionary basis and for certain Separate Accounts (and when requested, only) on a non-discretionary basis.

For non-discretionary Clients, BakerAvenue will require all necessary contact information to obtain consent / approval for any transaction BakerAvenue may recommend for purchase or sale. If BakerAvenue cannot reach a Separate Account Client on a non-discretionary basis to obtain specific consent it will not place any transactions with such Client’s custodian / broker or dealer.

BakerAvenue’s advisory services are based upon each Client’s unique facts and circumstances as they regard general investing or, for certain investment products, their suitability will be matched to the particular product or strategy, as described more fully in the Fund’s offering and governing documents or a Separate Account investment management agreement (the “Constituent Documents”).

Services include the following and each is described in more detail in Item 8:

- All Cap Core
- Global Tactical Indexing Strategy
- Blue Chip Income
- Fixed Income
- Blue Chip Impact
- Global Multi-Asset Class Income
- Prudent Core
- The Fund: BAAM is the general partner and investment adviser to the Fund. SB&P is a sub-adviser to the Fund. BAAM is responsible for all major decisions of the Fund, including, without limitation, amending or changing the Fund’s investment objectives, investment strategies, and investment policies or limitations.

### **Services Provided to Introduced Clients of Third Party Firms**

In some cases Clients may be introduced to BakerAvenue from third party managers through a dual contract relationship. Dual contract Clients are Clients that have a contract with the third party manager and a separate contract with BakerAvenue. The investment styles provided to these Clients are similar to those described above with some limitations to the types of strategies available depending on the relationship with the Client and the third party platform. The accounts are managed on a discretionary basis, however most Clients participating in these programs direct us to place transactions for their accounts at their broker dealer/custodians.

### **Clients Introduced to Third Party Managers by BakerAvenue**

On occasion, BakerAvenue refers Clients to selected third party managers as part of their asset allocation and investment strategy. Some of the factors considered into referring a third party manager include: BakerAvenue's preference for a particular third party manager, the Client's risk tolerance, goals, and objectives, as well as investment experience, and the amount of Client assets available for investment. The strategies used by these managers are outside of the scope of BakerAvenue's traditional product suite and Clients are not required to use the services of the recommended third party managers.

## **Item 5 – Fees and Compensation**

The fees and compensation payable to BakerAvenue are negotiable and vary among its Clients. However, the range of compensation is generally as follows:

### **Asset Based Fee Schedule for Portfolio Management Services ("Tiered Fees"):**

First \$2.5 million	1.25% (125 basis points)
\$2.5 million to \$5 million	1.00% (100 basis points)
\$5 million up to \$10 million	0.90% (90 basis points)
\$10 million and above	0.80% (80 basis points)

Minimum Separate Account Size is \$500,000 and is negotiable.

Tiered Fees are paid quarterly, in advance, using the value of the last day of the previous quarter, unless otherwise agreed upon with BakerAvenue. For Separate Accounts opened during a calendar quarter, the fees due and payable will be calculated on a pro-rated basis for the balance of the quarter.

BakerAvenue will charge a pro-rated advisory fee on intra-quarter contributions and provide a refund on intra-quarter withdrawals. The amounts due for contributions and withdrawals are

calculated using the number of days within the calendar quarter service(s) is or is not provided. Fees or rebates on flow that are calculated to be less than \$100 will be waived unless requested by the Client.

In most cases, Clients may choose whether to have their fees deducted from their account or receive an invoice. The specific manner in which fees are charged by BakerAvenue is set forth in each Client's Constituent Documents.

#### **Performance Fees:**

BakerAvenue may receive a Performance Fee (as defined below) from certain Separate Account Clients, comparable to those paid by the Fund; however fee structures are subject to negotiation and may vary from those paid by the Fund. Investors in the Fund, and Separate Account Clients that are charged a Performance Fee must also be Qualified Clients. Please see Item 6 for additional details on Performance Fees.

#### **Hourly Fees:**

BakerAvenue may charge an hourly fee for certain services, as may be mutually agreed and negotiated with a Client. The specific manner in which these fees are charged by BakerAvenue is set forth in each Client's Constituent Documents.

#### **The Fund:**

From the Fund, BakerAvenue receives an asset-based management fee calculated as a percentage of each investor's capital account and is eligible to receive an incentive allocation ("Performance Fee") as follows, based on the type of interest an investor holds in the Fund:

Class A – 0% management fee, 20% Performance Fee.

Class B – 1.50% (150 basis points) management fee, 10% Performance Fee.

Class A and B Performance Fees are subject to a hurdle rate of 5% and a "high water mark" procedure such that the Performance Fee is taken only to the extent net income allocated to that investor exceeds any cumulative losses that were allocated to that investor for earlier periods and that have not been recovered. Management fees are paid quarterly, in advance. For capital contributions made other than at the beginning of a calendar quarter, a pro-rata portion of the management fee, if any, will be charged to such investor. In the event an investor withdraws capital other than as of the end of a calendar quarter, BakerAvenue will not refund the prepaid management fee. Performance Fees are generally earned annually on 12/31 each year. Please see Item 6 for additional details on Performance Fees.



### **Advisory Fees Charged to Clients Introduced by Third Party Firms**

As indicated above, BakerAvenue provides portfolio management services to Clients introduced to us by third party firms. The advisory fees charged to Clients introduced to us by third party firms are based upon, but are lower than the stated Tiered Fee schedule used for Clients obtained directly by BakerAvenue (125 basis points (1.25%) on the first \$2.5 million of assets under management, billed quarterly, in advance). The actual fee charged in these various programs are lower, and in some cases, substantially lower than BakerAvenue's standard Tiered Fee.

### **Advisory Fees Charged to Clients Introduced to Third Party Managers by BakerAvenue**

The advisory fees charged to Clients introduced to third party managers are based upon the stated Tiered Fee schedule above. The makeup and aggregation of the fee will vary depending on the manager and platform, however the advisory fee paid to BakerAvenue and the manager does not exceed the standard Tiered Fee schedule.

### **General Information on Advisory Services and Fees**

**Termination and Refunds of Pre-Paid and Un-Earned Advisory Fees:** All contracts with Clients may be terminated at any time by either party (the Client or BakerAvenue) by delivering written notice to the other. All transactions placed at the Client's custodian up to BakerAvenue's receipt of the termination notice will be completed by the Client's broker custodian; no other transactions will be placed by BakerAvenue after receipt of the termination notice.

Except with respect to the Fund, as discussed above, all un-earned, pre-paid advisory fees will be promptly refunded to the Client by BakerAvenue upon termination. Termination of the advisory relationship is completed as soon as practically possible.

**Expenses:** Generally, BakerAvenue's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the Clients. Such charges, fees and commissions are exclusive of and in addition to BakerAvenues' advisory fee, and BakerAvenue shall not receive any portion of these commissions, fees, and costs. Investors should refer to a Client's Constituent Documents for a full disclosure of costs and expenses that may be borne by the Clients.

The portfolio management services provided by BakerAvenue may include investments in Exchange Traded Funds ("ETFs") and securities of companies registered as investment companies under the Investment Company Act of 1940, as amended ("Mutual Funds"). In such case, in addition to transaction costs borne by the Client, these securities also charge additional fees and expenses to their shareholders. These are in the form of advisory / management fees, distribution fees (in the case of Mutual Funds), administrative and operational expenses, among others. Therefore, in evaluating BakerAvenue's portfolio management services, potential Clients

must take into consideration not only BakerAvenue's advisory fees, but also the fees and expenses of the ETF and Mutual Funds that BakerAvenue may purchase on the Clients' behalf. This information is available in the Fund's prospectus or Clients may contact BakerAvenue to discuss the additional expenses or costs.

In addition to the above, investors in the Fund bear their share of the fund operating expenses, which include the cost of the annual audit and tax return preparation, monthly fund administration costs, and legal fees specific to the Fund.

Services available from other sources: Clients should also be aware that similar advisory services may be available from other sources at fee levels higher or lower than those charged by BakerAvenue. In addition, Clients do not need to hire BakerAvenue to invest in securities (including ETFs or Mutual Funds); however, they would not receive the value of BakerAvenue's proprietary analysis if BakerAvenue is not hired to manage their assets.

Services to Family and Friends of BakerAvenue: Certain family members or friends of BakerAvenue principals may receive the same or similar advisory services as Clients for advisory fees and/or Performance Fees that are zero or negotiated at a rate lower than what is available to its Clients. These lower advisory fees charged to family or friends are not available to Clients.

Non-Discretionary portfolio management services: BakerAvenue also provides certain Clients with non-discretionary portfolio management services.

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

### Performance Fee

As discussed in Item 5, in addition to advisory fees, BakerAvenue may receive a Performance Fee, equal to a percentage of the net income allocated to each Fund investor, or certain Separate Accounts, for the year. Generally, Performance Fees charged to Separate Account Clients are comparable to those paid by the Fund; however fee structures are subject to negotiation and may vary from those paid by the Fund.

Investors in the Fund select from two fee class options: Class A has a 0% asset-based management fee with a 20% Performance Fee charged on an annual basis, of the net gain in each investor's capital account (including realized and unrealized gains and losses; net of the management fee and operating expenses); Class B has a 1.5% asset-based management fee with a 10% Performance Fee charged on an annual basis, of the net gain each investor's capital account (including realized and unrealized gains and losses; net of the management fee and operating expenses).

In both cases, the Performance Fee is only charged when the Fund investor receives an annual return from the Fund for the year that exceeds 5% (the "hurdle rate"). Where the hurdle rate is not exceeded in a year, the hurdle rate is not compounded in the following year. The hurdle rate

is reset each calendar year, such that if the Fund fails to achieve the hurdle rate during any year, there is not a requirement that any such shortfall be recovered in any subsequent year prior to BakerAvenue being eligible to receive a Performance Fee.

The Performance Fee is charged annually, on 12/31 each year and is subject to a “high water mark” procedure such that the Performance Fee is taken only to the extent net income allocated to that investor exceeds any cumulative losses that were allocated to that investor for earlier periods and have not been recovered.

The incentive allocation will only be charged to investors and Clients who are “Qualified Clients” as defined in Rule 205-3 of the Investment Advisers Act of 1940. A Qualified Client is generally defined as a Natural Person (individual) or Company:

- With at least \$1,000,000 under management with BakerAvenue; or
- A net worth of \$2.0 million (individual or jointly) excluding the value of their primary residence.

For investors that withdraw capital prior to the end of a calendar year, the performance or incentive fee due to BakerAvenue will be charged (subject to high-water marks and a pro-rated hurdle rate) at the date of termination.

These Performance Fee arrangements are subject to Section 205(a)(1) of the Investment Advisers Act of 1940 (The Advisors Act) and in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. Performance based fee arrangements may create an incentive for BakerAvenue to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. BakerAvenue has procedures designed and implemented to ensure that all Clients are treated fairly and equally, and to prevent a conflict from influencing the allocation of investment opportunities among Clients with different fee schedules.

## **Item 7 – Types of Clients**

BakerAvenue provides investment advisory services to the Fund and Separate Accounts for individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, trusts, and other U.S. institutions.

Prospective investors in the Fund and Separate Account Clients must generally be “accredited investors” (as defined in Regulation D under the Securities Act of 1933, as amended). Investors in the Fund, and Separate Account Clients that are charged the Performance Fee must also be Qualified Clients.

The minimum account size for Separate Account Clients is \$500,000 and is negotiable under special circumstances. The minimum initial investment in the Fund is \$500,000 for individuals and \$1,000,000 for institutions, subject to waiver at the discretion of Baker Avenue.

Prospective investors are encouraged to thoroughly review the applicable Constituent Documents which set forth all of the terms in detail.

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

### All Cap Core

The All Cap Core strategy seeks to preserve and grow capital by investing in fundamentally and technically strong stocks across all market capitalizations and ETFs in low-risk markets and protecting portfolio principal by allocating up to 100% to cash in high risk markets. The strategy utilizes a quantitative and fundamental approach supplemented by macro analysis with prudent risk management controls in an attempt to control downside losses and protect capital.

### Global Tactical Indexing Strategy

The Global Tactical strategy is actively managed with an investment objective to achieve long-term returns that outperform the overall stock market. The Global Tactical strategy invests globally across a broadly diversified portfolio of asset classes including U.S. and international large-cap, mid-cap, small-cap, growth, and value stocks and commodities. The Global Tactical strategy also attempts to preserve capital in severe down markets by raising cash.

### Blue Chip Income

The Blue Chip Income strategy seeks long-term capital appreciation with downside protection by investing in a diversified portfolio of high quality Blue Chip stocks and ETFs in low risk markets and protecting principal in high risk markets by moving up to 100% in cash. Market exposure is adjusted by monitoring long-term market trends to evaluate the risk and reward of owning equities versus protecting capital.

### Global Multi-Asset Class Income

The Global Multi-Asset Class Income strategy seeks to deliver above-average market yields while maintaining below-average market volatility by investing in multiple asset classes of income-producing securities. The strategy employs a quantitative approach to opportunistically rotate between equity income securities and fixed income securities in an attempt to protect capital yet provide for income in high risk markets.

### Blue Chip Impact

The objective of the Blue Chip Impact strategy is capital appreciation with downside protection. By adding a socially responsible overlay to our investment approach we seek to consider both financial return and social good. The strategy invests in a diversified portfolio of Blue Chip stocks and ETFs in low risk markets and protects principal in high risk markets by moving up to 100% in cash. The strategy proactively monitors long-term market trends to evaluate the risk/ reward of having market exposure versus protecting capital.

### Prudent Core

The Prudent Core strategy seeks long-term capital appreciation with downside protection by investing in and dynamically allocating among various asset classes. By analyzing economic and market conditions under the lens of technical, macroeconomic, and fundamental forces, BakerAvenue opportunistically rotates between its underlying investment strategies in order to take advantage of changes in the market and macroeconomic environment.

### Fixed Income

The Fixed Income strategy seeks to provide current income, capital appreciation and preservation by investing in a broadly diversified portfolio of bonds. The strategy employs a quantitative approach to opportunistically rotate between multiple bond sectors in an attempt to adjust the portfolio through shifting interest rate and credit cycles.

### Baker Ave Opportunities Fund LP

BAAM is the general partner and investment adviser to the Fund. SB&P is a sub-adviser to the Fund. As the investment adviser that is contracted to provide investment management services to the Fund, BAAM is responsible for all major decisions of the Fund, including, without limitation, amending or changing the Fund's investment objectives, investment strategies, and investment policies or limitations.

The investment objective of the Fund is long term capital appreciation and principal protection. The Fund is structured as a long biased long - short hedge fund. The strategy uses a flexible research process incorporating fundamental and technical analysis for security selection and risk control, and may implement any of the investment strategies described above. Additionally, the strategy incorporates a "macro-aware" top down view to help manage exposure levels and maximize returns. The strategy typically uses common stocks and ETF's to accomplish its objectives.

## Risks of Investments and Strategies Utilized

**Investing in securities involves risk of loss that Clients should be prepared to bear.** Since market risks are inherent in all securities investments to varying degrees, there can be no assurance that the investment objective of the Clients will be achieved. Market risks include price risk (will the price of a security in the portfolio rise or fall?), liquidity risk (how easily can a position be sold at a fair price?), event risk (will something unforeseen happen?), market volatility (is the market in general going through a period of upheaval?) and manager risk (how well did BakerAvenue's picks perform?) among others.

**General Investment and Trading Risks.** Clients may invest in securities and other financial instruments using strategies and investment techniques with significant risk characteristics. The investment program utilizes such investment techniques as option transactions, margin transactions, short sales, forwards, leverage and derivatives trading, the use of which can, in certain circumstances, maximize the adverse impact to which a Client may be subject.

**Common Stocks and Equity-Related Securities.** Prices of common stock react to the economic condition of the company that issued the security, industry and market conditions, and other factors and may fluctuate widely. Investments related to the value of stocks may rise and fall based on an issuer's actual and anticipated earnings, changes in management, the potential for takeovers and acquisitions, and other economic factors. Similarly the value of other equity-related securities, including preferred stock, warrants and options may also vary widely.

**Small- and Mid-Cap Risks.** Securities of small-cap issuers may present greater risks than those of large-cap issuers. For example, some small- and mid-cap issuers often have limited product lines, markets, or financial resources. They may be subject to high volatility in revenues, expenses and earnings. Their securities may be thinly traded, may be followed by fewer investment research analysts and may be subject to wider price swings and thus may create a greater chance of loss than investing in securities of larger-cap issuers. The market prices of securities of small- and mid-cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large-cap issuers.

**Exchange Traded Funds.** Exchange-traded funds ("ETFs") are a type of index fund bought and sold on a securities exchange. The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more volatile and ETFs have management fees that increase their costs. ETFs are also subject to other risks, including: (i) the risk that their prices may not correlate perfectly with changes in the underlying index; and (ii) the risk of possible trading halts due to market conditions or other reasons that, in the view of the exchange upon which an ETF trades, would make trading in the ETF inadvisable.

**Commodities and Derivative Investments.** The prices of commodities contracts and derivative instruments, including futures and options, are highly volatile. Price movements of commodities,

futures and options contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures and options also depends upon the price of the commodities underlying them. In addition, Client assets are subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties.

**Investments in Private Funds.** If a Client invests in private funds, the Client is subject to the risks of the underlying funds' investments and subject to the underlying funds' expenses. There can be no assurance that the other funds will achieve their objectives or avoid substantial losses.

**Highly Volatile Markets.** The prices of financial instruments can be highly volatile. Price movements of forward and other derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Clients are also subject to the risk of failure of any of the exchanges on which their positions trade or of its clearinghouses.

**Use of Leverage and Financing.** A Client may pledge its securities in order to borrow additional funds for investment purposes. Any event which adversely affects the value of an investment by the Client would be magnified to the extent the Client is leveraged. The cumulative effect of the use of leverage by a Client in a market that moves adversely to the Client's investments could result in a substantial loss that would be greater than if the Client were not leveraged.

**Hedging Transactions.** While a Client may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Client than if it had not engaged in any such hedging transactions. For a variety of reasons, Baker Avenue may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent a Client from achieving the intended hedge or expose the Client to risk of loss.

**Short Selling.** Short selling involves selling securities which are not owned and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Client of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position are available for purchase at or near prices quoted in the market. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

**Derivatives and Hedging.** Derivatives are financial instruments or arrangements in which the risk and return are related to changes in the value of other assets, reference rates or indices. A Client's ability to profit or avoid risk through investment or trading in derivatives will depend on BakerAvenue's ability to anticipate changes in the underlying assets, reference rates or indices.

**Limited Diversification.** Investments may be primarily focused geographically in North American countries. Furthermore, broad diversification of investments in number or by industry or geography is not a primary investment strategy of BakerAvenue. This limited diversity could expose Clients to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those investments.

**Non-U.S. Securities.** Investments in securities of non-U.S. issuers pose a range of potential risks which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, political or social instability, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding securities of non-U.S. issuers, and non-U.S. issuers may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. issuers.

**Illiquid Investments.** Securities and other assets may be subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and a Client may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale.

**Counterparty Risk.** Transactions are may be affected in "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes Clients to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing Clients to suffer a loss.

Further details regarding the risks of investing with BakerAvenue are provided in the Constituent Documents.

**The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Clients. Investors should read the entire Brochure as well as the Clients' Constituent Documents and consult with their own advisers prior to engaging BakerAvenue's services.**

## **Item 9 – Disciplinary Information**



Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a potential Client's evaluation of BakerAvenue or the integrity of its management. BakerAvenue has no information applicable to this Item.

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

The principal executive officer of BAAM and SB&P is Simon Baker who is the Managing Member of SB&P and the Managing Member of BAAM GP, LLC the general partner of BAAM.

SB&P is a “relying adviser” to BAAM in reliance on the SEC No-Action Letter to the American Bar Association's Subcommittee on Hedge Funds, Dated January 18, 2012. SB&P is a sub-adviser to the Fund and provides investment advisory services to Separate Accounts as described herein.

BakerAvenue has entered into a solicitation agreement with certain third-party managers pursuant to which the firm is paid a percentage of the fees the third party manager receives from such introduced Clients. This arrangement may give BakerAvenue an incentive to recommend such third party manager's investment advisory services and products and represents a potential conflict of interest. Notwithstanding this potential conflict of interest, BakerAvenue will select third party managers for its Clients in a manner it believes to be in the best interest of each Client, having first considered each Client's specific investment objective and risk tolerance.

### **Item 11 – Code of Ethics**

BakerAvenue has adopted a “Code of Ethics” for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its Clients. The Code of Ethics includes provisions relating to the confidentiality of Client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at BakerAvenue (including for the avoidance of doubt, SB&P and BAAM) must acknowledge the terms of the Code of Ethics annually, or as amended.

#### Personal and Proprietary Trading:

BakerAvenue recognizes its fiduciary duty to its Clients and is obligated to follow the regulations, rules, and interpretations under the Investment Advisers Act of 1940, amended. BakerAvenue's fiduciary obligation to Clients requires placing its Clients' interests first.

When BakerAvenue purchases or sells securities for its own accounts or for those with a beneficial nature (family and other accounts), there is a potential conflict of interest that is inherent in this activity. To meet both fiduciary and regulatory obligations to Clients, BakerAvenue has developed and implemented the following controls to address this potential conflict of interest. These controls include:

1. Code of Ethics
  - a. Restrictions and limitations on the personal trading of *all employees*;
  - b. Disclosure of brokerage accounts, security holdings;
  - c. Restrictions and limitations on the receipt of or providing gifts, entertainment and political contributions;
2. Prevention and restrictions on activity when in possession of material, non-public, inside information.

In summary, BakerAvenue's Code of Ethics:

- Allows for employees to trade in the same securities recommended to Clients;
- Allows employees to own securities that may be subsequently purchased for the Clients;
- Allows employees to purchase securities that would otherwise not be suitable for, or purchased by, BakerAvenue for Clients;
- Prohibits giving preference to orders for employees over the orders for Clients;
- Requires, when Client and personal trades are aggregated (blocked together), that the shares purchased over time will be "average priced" so all participants receive the same price;
  - If partial fills are completed, Client orders are completely filled before employee or related accounts.

Additional requirements include:

- Act with integrity, competence, diligence, respect in an ethical manner with the public, Clients and affiliates, employees, colleagues, vendors, suppliers and other investment professionals encountered in day-to-day activity;
- Place the integrity of the investment profession, the interests of the Clients ahead of BakerAvenue's own (or the employee's) interests;
- Prohibits the use of an employee's position at BakerAvenue to enrich the employee (or family) or BakerAvenue and;
- Identify potential conflicts of interest and engage BakerAvenue's Chief Compliance Officer;
- Conduct all personal securities trading in compliance with BakerAvenue's Code of Ethics and applicable policies and procedures;
- Use reasonable care and prudence, including sound judgment, when conducting investment analysis, making investment recommendations, or engaging in other professional activities;
- Promote the integrity of BakerAvenue and the profession while encouraging (by example) these standards.

Specific Requirements Related to Personal Securities Trading required by BakerAvenue:

- Pre-Clear certain personal securities transactions;
- Report personal securities accounts, holdings and members of the employees household (and beneficial ownership accounts) initially (at time of employment) and annually thereafter;
- Certify all reportable securities transactions on a quarterly basis to the Chief Compliance Officer.

Clients may request a copy of the BakerAvenue Code of Ethics by contacting Jerry Luff or Hannah Kim, Co-Chief Compliance Officers at 415-986-1110 or via email at [jl@bakerave.com](mailto:jl@bakerave.com) and [hk@bakerave.com](mailto:hk@bakerave.com).

## Item 12 – Brokerage Practices

BakerAvenue seeks to use a broker-dealer and custodian who will safely hold Client assets and execute transactions on terms that are, overall, most advantageous when compared to other providers. BakerAvenue looks at many factors in deciding on which brokers to recommend, including transaction costs, execution capability, financial strength, and quality of service, among others.

Brokerage Discretion: For many of its Clients, including, but not limited to the Fund, BakerAvenue has the discretionary authority to pick the broker dealer to use. Typically, but not always, BakerAvenue uses one of the broker dealers discussed below. However, BakerAvenue does have the authority for some (but not all) Clients to trade away from their broker or custodian. Often times, BakerAvenue will have to evaluate the additional costs or charges that are charged by the broker / custodian and evaluate whether the additional charges to trade away (either on a Prime Broker basis, or on a Trade Away basis) is in each Client's best interest. Due to the types of securities BakerAvenue typically purchases or sells for Clients' accounts, BakerAvenue will often determine that the additional costs involved in a Prime Broker or Trade Away transaction are consistent with its fiduciary obligations of best execution.

Clients may request to place limits on BakerAvenue's discretionary authority, however BakerAvenue reserves the right to reject or not engage a Client or terminate the relationship if determined the restrictions prohibit BakerAvenue from delivering its services as defined in the agreement with the Client.

Brokerage Activity: Clients' assets must be maintained in an account at a "qualified custodian," generally a broker-dealer. BakerAvenue recommends several different broker dealer / custodians to Clients in need of brokerage and custodial services, including:

- Fidelity Investments
- Charles Schwab and Company

Both Schwab and Fidelity Brokerage Services LLC (“Fidelity”) offer platform services and technology that helps BakerAvenue with back office management, trade execution, account management, and asset pricing. BakerAvenue believes both companies are financially solid and provide the range of services necessary at reasonable costs.

BakerAvenue primarily recommends Fidelity, a registered broker dealer and investment adviser with FINRA and the SEC. Fidelity clears all securities transactions on a fully disclosed basis through National Financial Services, LLC (“NFS”) a registered broker dealer. BakerAvenue has negotiated with Fidelity commissions, custodial, and other charges that are beneficial to its Clients and discounted from Fidelity’s standard rates. In addition, Fidelity makes available to BakerAvenue certain institutional mutual funds that would otherwise not be available to BakerAvenue and its Clients due to higher purchase minimums imposed by mutual funds. Fidelity also provides prime brokerage services to any BakerAvenue Client portfolio that is in excess of \$100,000. BakerAvenue may, but is not obligated to, aggregate block trades and select executing brokers other than Fidelity to execute those transactions (with settlement at Fidelity); this may allow BakerAvenue to obtain a negotiated or better price.

Clients whose portfolios are under \$100,000 are not qualified for prime brokerage and as a result, all securities transactions for these Clients are executed solely at Fidelity at the pre-negotiated commission / transaction charges.

BakerAvenue also recommends Charles Schwab and Company, Inc. and Schwab’s Institutional program (collectively, “Schwab”) which is similar to the program offered by Fidelity in that to qualify for prime broker trading (away from Schwab) the portfolio minimum is also \$100,000.

Clients whose portfolios are under \$100,000 are not qualified for prime brokerage and as a result, all security transactions for these Clients are executed solely at Schwab at the pre-negotiated commission / transaction charges.

It is BakerAvenue’s policy to trade away from the custodian for block equity trades above a certain share amount and to trade at the custodian when trading for Clients individually. Clients using the custodial services are charged a trade-away fee for transactions placed and executed by executing brokers other than the custodian. Smaller accounts with a market value of under the custodian minimums are not eligible to take part in the prime brokerage program due to their size. The trades for these accounts must be traded at their custodian. Prices obtained for trades placed in the prime brokerage program will be different (sometimes higher, sometimes lower) than prices obtained for accounts that are required to trade at the custodian.

Dual contract Clients are Clients that have a contract with the third party manager and a separate contract with BakerAvenue. The accounts are managed on a discretionary basis, however most Clients participating in these programs direct us to place transactions for their accounts at their broker dealer/custodians.

Best Execution: BakerAvenue's criteria for the selection or recommendation of a broker dealer or custodian are consistent across all its decision making when it comes to Clients' transactions. As a fiduciary to its Clients, BakerAvenue is obligated to use broker dealers believed to provide best execution to BakerAvenue and its Clients. Best execution, however, is not a defined term, it is a concept. In seeking best execution for Client transactions BakerAvenue evaluates brokers on the following factors and these may vary transaction-by-transaction. The ultimate goal is not necessarily the best price or lowest commission charge. The ultimate goal of best execution is to achieve, at that point in time, the best overall execution for the Clients for a particular transaction. BakerAvenue evaluates brokers on the following criteria:

- Actual execution
- Ability to promptly and reliably effect transactions
- Commission charges / spreads
- Market of the security
- Consistency of process (minimal trade errors)
- Willingness to work with us
- Clearing and settlement
- The broker's operational efficiency with which transactions are effected, taking into account the size of the order and the difficulty of the transactions
- The financial strength, integrity, and stability of the broker
- The confidential treatment of BakerAvenue's block trades that the broker is working for us
- Competitiveness of commission rates and charges
- Support services that may be provided (non-soft dollars)

Soft dollars: BakerAvenue engages in soft dollars and will only engage in soft dollar transactions that are in compliance with Section 28(e) of the Securities and Exchange Act of 1934 (the "Exchange Act") as amended, the so-called "safe harbor" for investment managers to receive research and execution services that provide lawful and appropriate assistance to BakerAvenue in the performance of its investment decision making responsibilities. In addition to research services, BakerAvenue may be offered other benefits by broker-dealers that it may engage to execute securities transactions on behalf of its Clients. These benefits may take the form of special execution capabilities:

- Clearance and settlement;
- Online pricing;
- Block trading and block positioning capabilities;
- Willingness to execute related or unrelated difficult transactions in the future;
- Order of call;
- Performance measurement data;
- Consultations;
- Economic and market information;
- Periodical subscriptions (e.g., the Financial Times, Investor's Business Daily, etc.);

- Portfolio strategy advice;
- Industry and company comments, technical data, recommendations, general reports;
- Efficiency of execution and error resolution;
- The availability of stocks to borrow for short trades;
- Custody;
- Record keeping and similar services.

BakerAvenue has the option to use “soft dollars” generated by Client transactions to pay for the research or brokerage services described above. Within the last fiscal year, BAAM used “soft-dollars” to receive the following products and services: (i) software and other products that aggregate market data, (ii) research reports, company financial data, economic data, and (iii) equipment in connection with investment analysis and decision making.

The use of brokerage commissions to obtain investment research, in addition to BakerAvenue’s ability to set the soft dollar credits, is a conflict of interest among BakerAvenue and its Clients. This is due to the use of Client assets (brokerage paid) to pay for products or services that benefit BakerAvenue and not exclusively its Clients.

The foregoing benefits may be available for use by BakerAvenue without engaging in soft dollar transaction or in connection with transactions in which all Clients did not participate. The availability of these benefits may influence BakerAvenue to select one broker rather than another to perform services for its Clients. Nevertheless, BakerAvenue’s selection of which brokers to utilize will be driven by a concerted striving for “best execution.” Also, BakerAvenue will attempt to assure that the fees and costs for services provided to us by brokers offering these benefits are reasonable in relation to the fees and costs charged by other equally capable brokers not offering such services.

Not all BakerAvenue Client accounts are eligible for soft dollar transactions yet those accounts may also receive (directly or indirectly) a benefit from the soft dollar products and services purchased by BakerAvenue.

Directed Brokerage: This applies to Clients who have dual contract relationships and/or accounts that do not meet their custodian’s prime brokerage minimum. Certain Clients may decide to direct BakerAvenue to place all of their security transactions at a designated broker or dealer (“directed brokerage”) as BakerAvenue manages their account.

Clients who direct us to use a particular broker or dealer need to understand that in these situations, BakerAvenue will not be in a position to negotiate commissions, block trades, achieve volume discounts, or achieve best execution. Clients may direct us to use a specific broker or dealer for all of the Client’s transactions or only when all other considerations are equal (which may never be achieved due to limitations inherent in directed brokerage instructions). Clients have, therefore, negotiated their own commissions or other transactions costs with the broker.

Exception: Directed Brokerage Clients may inquire from BakerAvenue the commissions, custodial, execution, and other variables negotiated by or monitored by BakerAvenue for Clients who do not direct BakerAvenue to use a particular broker or dealer in an effort to evaluate their directed broker.

Rotational System: To treat all Clients in a fair and equitable manner, BakerAvenue has developed and uses the following system to determine which Client transactions are implemented first. This process only applies when BakerAvenue determines to purchase or sell a security across all of its investment products or across all Client accounts (as the case may be).

When the investment decision is made, BakerAvenue places orders by broker dealer / custodian as follows:

- Places orders for all Client accounts held at Fidelity; then
- Rotate (on a random basis) Client accounts held at other custodians.

Trade Allocations / Block Trading: BakerAvenue may, but is not obligated to, aggregate trades for more than one Client with transactions in the same securities at the same time. The benefit to block trading is the ability for BakerAvenue to negotiate price and commission and achieve better (best) execution versus placing the transactions separately. This also allows BakerAvenue to allocate limited investment opportunities across a number of Clients in a fair and equitable manner. BakerAvenue:

- Will identify the aggregate amount of the security needed for a complete fill;
- Will ensure that each participating Client is identified prior to the trade being placed (pre-allocation);
- Will average the prices of multiple transactions executed on a given day to obtain the full amount of the security (the average price of all transactions which is provided to each participating Client);
- For partial fills BakerAvenue will utilize a proportional or random allocation across all participating Client accounts;
- If a pre-execution allocation was not completed, BakerAvenue will allocate as follows:
  - Random or proportional (pro-rated) allocation will be made based on a number of factors such as account suitability, cash available, size of the portfolio, etc.
- BakerAvenue permits the aggregate blocking of personal securities transactions with those of Clients if the block is filled on the same day (average price for all participants);
  - If the order is partially filled or takes multiple days to fill, shares for employee accounts are allocated on a prorated or random basis along with Clients (thus, employee accounts could be allocated shares and Client accounts could not or vice-versa) or else the Employee accounts are excluded; and from the allocation and Clients are allocated on a prorated or random basis
  - Under no circumstance will a partial fill be allocated solely to an employee

account.

- Allocation Exceptions: if the executed amount is deemed by the Chief Investment Officer to be de minimis, shares may be allocated to the participating Client accounts that are the smallest (i.e., complete fills, for example share allocations of 150 or less) or allocated to an account that is out of line with the desired allocation or sector weighting).
  - For sale transactions, allocations may be given to accounts in need of cash.

### **Item 13 – Review of Accounts**

All accounts are reviewed by the lead advisor on the Client account. These reviews are conducted on at least an annual basis. The review looks at the conformity of the account holdings with Client investment objectives and guidelines. BakerAvenue does not assign a specific number of accounts to any specific lead advisor, but allocates the resources to geographic regions across the United States.

In addition, the Portfolio Managers of BakerAvenue continually monitor markets, world and economic events, including securities held by its Clients. This work by the Portfolio Managers provides each Client account or portfolio with an indirect and continual portfolio review.

BakerAvenue does request that Clients contact their lead advisor should any changes occur in their personal financial situation which may impact the portfolio management services BakerAvenue provides to them.

#### Reports:

BakerAvenue provides each Separate Account Client, within a household, that has assets under management of \$1mm or more, a quarterly report showing holdings and performance of its portfolio(s).

This includes information related to realized gains or losses, interest and dividend income, and other specific details. BakerAvenue has engaged third party service providers to facilitate the generation and delivery of Client reports and uses data provided by their custodians to generate these reports.

These reports are provided in addition to the monthly reports each Client receives directly from their custodian. BakerAvenue is provided with this same information either by mail, electronically through data downloads, or through access to the custodian's website or other electronic systems.

BakerAvenue ensures each investor in the Fund receives a monthly capital statement directly from the 3<sup>rd</sup> party fund administrator showing the individual month-to-date and year-to-date opening capital, any subscriptions and/or redemptions, net profits & losses, and closing capital, plus a presentation of the return earned on their capital, net of all fees. After the end of the year,



BakerAvenue will arrange for all investors to be provided with a copy of the Fund's audited financial statements and information necessary to complete their own tax returns (Federal and State K-1s).

**Notice for all Clients:** Under SEC rules that took effect March 12, 2010 related to custody of Client funds or securities, all SEC registered investment advisers (such as BakerAvenue) are required, if periodic reports are sent to their Clients, to disclose the following information (this statement will also be included in the Client's quarterly reports received from BakerAvenue):

*BakerAvenue encourages each Client to review their custodial reports received directly from their (qualified) custodian with the quarterly reports received from BakerAvenue. If there are any questions on the information provided by the custodian or BakerAvenue, the Client should contact their BakerAvenue adviser.*

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

BakerAvenue receives economic benefit from Schwab and Fidelity (at no cost to us) through its participation in the independent adviser service programs of Schwab and Fidelity. Although the benefits received through BakerAvenue's participation in these programs provide economic benefit to us, they are not considered research services under Section 28(e) of the Exchange Act.

The economic benefits provided by Schwab and Fidelity (and Clients who custody at Fidelity and Schwab) include, among others:

- Access to dedicated trading desks;
- Client confirmations and bundled statements for all Client accounts;
- Block trading and prime brokerage services;
- Electronic communication networks for Client information access / portfolios and trading;
- Software, tools and information relevant to independent investment advisers;
- Access to educational or due diligence programs;
- Marketing and other support; and
- Deduction of investment advisory fees due to BakerAvenue from Client accounts (based on a spreadsheet request to custodian from BakerAvenue).

#### **Fidelity Investments Wealth Advisor Services Referral Program:**

BakerAvenue participates in the Fidelity Investments Wealth Advisor Services Referral program ("WAS Program"), through which it receives referrals from Strategic Advisers, Inc. ("SAI"), a registered investment adviser and subsidiary of FMR LLC, the parent company of Fidelity Investments. BakerAvenue is independent and not affiliated with SAI or FMR LLC. SAI does not supervise or control BakerAvenue, and SAI has no responsibility or oversight for BakerAvenue's provision of investment management or other advisory services.

Under this program, SAI acts as a solicitor for BakerAvenue, and BakerAvenue pays referral fees to SAI for each referral received based on assets under management attributable to each Client referred by SAI or members of each Client's household. The WAS Program is designed to help investors find an independent investment advisor, and any referral from SAI to BakerAvenue does not constitute a recommendation or endorsement by SAI of BakerAvenue's particular investment management services or strategies. More specifically, for a period of 7 years from the date that a Client or members of a Client's household funds an account or accounts with BakerAvenue, BakerAvenue shall pay SAI an amount equal to an annual percentage of 0.20% of any and all assets in such accounts.

To receive referrals from the WAS Program, BakerAvenue must meet certain minimum participation criteria, but BakerAvenue may have been selected for participation in the WAS Program as a result of its other business relationships with SAI and its affiliates, including Fidelity Brokerage Services, LLC ("FBS"). As a result of its participation in the WAS Program, BakerAvenue may have a potential conflict of interest with respect to its decision to use certain affiliates of SAI, including FBS, for execution, custody and clearing for certain Client accounts, and BakerAvenue may have a potential incentive to suggest the use of FBS and its affiliates to its advisory Clients, whether or not those Clients were referred to BakerAvenue as part of the WAS Program.

Under an agreement with SAI, BakerAvenue has agreed not to charge Clients more than the standard range of advisory fees disclosed in this Form ADV 2A Brochure to cover solicitation fees paid to SAI as part of the WAS Program. Pursuant to these arrangements, BakerAvenue has agreed not to solicit Clients to transfer their brokerage accounts from affiliates of SAI or establish brokerage accounts at other custodians for referred Clients other than when BakerAvenue's fiduciary duties would so require; therefore, BakerAvenue may have an incentive to suggest that referred Clients and their household members maintain custody of their accounts with affiliates of SAI. However, participation in the WAS Program does not limit BakerAvenue's duty to select brokers on the basis of best execution.

### **Item 15 – Custody**

Under government regulations, BakerAvenue is deemed to have custody of Separate Account Client assets if the Client has authorized BakerAvenue to instruct its custodian to deduct such Client's advisory fees directly from the Client's account. However, the qualified custodian maintains actual custody of the Client's assets.

Clients should receive at least quarterly statements from the broker dealer, bank, or other qualified custodian that holds and maintains the Client's investment assets. BakerAvenue urges Clients to carefully review such statements and compare them to the account statements provided by BakerAvenue. BakerAvenue's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

BAAM does have custody of the assets of Baker Ave Opportunities Fund LP by virtue of being the general partner of the Fund. To satisfy the requirements of the SEC Custody Rule for a pooled investment vehicle, BAAM relies on the annual audit provision of this rule and is contractually obligated to obtain an audit of the financial statements of the Fund for each fiscal year and deliver them to investors within 120 days of the end of each fiscal year. The audit is performed by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board.

### **Item 16 – Investment Discretion**

BakerAvenue generally provides investment discretionary portfolio management services to Clients. This means that BakerAvenue has the authority provided in the applicable Constituent Documents, to purchase or sell securities for Clients' accounts and determine the amount of securities to purchase or sell without obtaining their consent to the transactions. Of course, BakerAvenue determines securities transactions based on the Client's needs, risk tolerances, and other factors that govern its portfolio management services. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Client account.

In addition, Clients may impose certain limitations or restrictions on BakerAvenue's services, for example, excluding certain stocks or bonds of companies (sin stocks, anti-union stocks, weapons manufactures, etc.) or sectors or industries or concentrations in any sector or industry. However, BakerAvenue reserves the right to reject or not engage a Client or terminate an agreement with a Client, if determined the investment restrictions the Client intends to impose prohibit BakerAvenue from delivering its services as defined in the agreement with the Client. All limitations or restrictions must be provided to BakerAvenue, in writing, and will not be accepted or implemented until signed (accepted) by BakerAvenue.

BakerAvenue may also manage certain Separate Accounts (and when requested, only) on a non-discretionary basis.

### **Item 17 – Voting Client Securities**

Under SEC Rule 206(4)-6, investment advisers have a fiduciary obligation to their clients if the adviser has authority to vote their proxies. BakerAvenue is authorized to vote proxies on behalf of Client discretionary accounts, unless directed otherwise in writing. For BakerAvenue strategies as described in Item 4 above, BakerAvenue shall vote the proxies. BakerAvenue does not vote for separately managed accounts or accounts managed by sub-advisors. The Client should refer to the sub-advisor and/or separate manager's Disclosure Brochure (ADV) for proxy voting details.

BakerAvenue retains the obligation to vote its Clients' proxies and has engaged Glass Lewis & Co. ("Glass Lewis") to assist with physical proxy voting matters. Glass Lewis was also selected due to

its excellent research tools and advanced technical capabilities. They will act as BakerAvenue's agent to provide certain administrative, clerical, functional recordkeeping, and support services related to the Firm's proxy voting processes/procedures, which include, but are not limited to:

1. The collection of proxy material from Clients' custodians;
2. The facilitation of proxy voting, reconciliation, and disclosure, in accordance with the Firm's proxy policies and direction; and
3. Recordkeeping and voting record retention.

BakerAvenue generally follows Glass Lewis proxy voting policies to vote proxies in a manner deemed to be in the best economic interest of its Clients, as a whole, as shareholders and beneficiaries to those actions. BakerAvenue recognizes that each proxy vote must be evaluated on its own merits. Factors such as a company's organizational structure, executive and operational management, Board of Directors structure, corporate culture and governance process, and the impact of economic, environmental and social implications may all be key elements in voting decisions. BakerAvenue believes that it is in the best interest of shareholders to abstain from voting in countries that participate in share blocking as share blocking limits the trading ability of the portfolio manager.

If applicable, BakerAvenue will consider Client specific preferences and/or develop and apply criteria unique to its Client base, as appropriate, and will communicate this information to Glass Lewis so those Clients' proxies will be voted accordingly. BakerAvenue has reviewed Glass Lewis' capabilities as agent for the administrative services above and is confident in its abilities to provide these services effectively and will monitor such capability on an ongoing basis.

In the absence of express contractual provisions or Client directions to the contrary, BakerAvenue will vote proxies for its discretionary Clients except as noted below.

BakerAvenue maintains proxy guidelines for U.S. domestic and global proxy voting issues. ERISA accounts will be voted in accordance with the U.S. domestic proxy guidelines as ERISA specific guidelines and requirements are incorporated into these guidelines.

BakerAvenue follows different voting recommendations for different categories of Clients such that votes cast on behalf of some Clients may oppose votes cast on behalf of other Clients. Although BakerAvenue does its best to alleviate or diffuse such conflicts, there is no guarantee that all situations have been or will be mitigated through proxy policy incorporation.

Proxy Voting records are available upon request.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide Clients with certain financial information or disclosures about their financial condition. BakerAvenue has no financial

commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding.