



## RED ROCKS CAPITAL LLC

25188 Genesee Trail Road, Suite 250  
Golden, CO 80401  
Phone: 303.679.8252  
Fax: 303.679.8251  
[www.redrockscapital.com](http://www.redrockscapital.com)

January 1, 2017

### Part 2A Brochure

This brochure provides information about the qualifications and business practices of Red Rocks Capital, LLC. If you have any questions about the contents of this brochure, please contact us at 303-679-8252. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about Red Rocks Capital, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Red Rock Capital is 135117.

Red Rocks Capital, LLC is registered with the SEC as an investment adviser; please note that registration does not imply a certain level of skill or training.

## **MATERIAL CHANGES**

### Summary of Material Changes

There have been no material changes to our business since the last update on March 31, 2016.

If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our Chief Compliance Officer, Erin Nelson at 303.679.8252 or [erin.nelson@alpsinc.com](mailto:erin.nelson@alpsinc.com).

We encourage you to read this document in its entirety.

---

**TABLE OF CONTENTS**

---

|   | Page |
|---|------|
| Item 4 - Advisory Business-----   | 4    |
| Item 5 - Fees and Compensation -----  | 7    |
| Item 6 - Performance-Based Fees and Side-By-Side Management -----                                       | 10   |
| Item 7 - Types of Clients -----   | 11   |
| Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss -----                              | 12   |
| Item 9 - Disciplinary Information -----   | 16   |
| Item 10 - Other Financial Industry Activities and Affiliations-----                                     | 17   |
| Item 11 - Code of Ethics, Participation or Interest in Client Transaction<br>and Personal Trading ----- | 18   |
| Item 12 - Brokerage Practices -----   | 20   |
| Item 13 - Review of Accounts -----  | 23   |
| Item 14 - Client Referrals and Other Compensation-----  | 24   |
| Item 15 - Custody-----  | 25   |
| Item 16 - Investment Discretion -----   | 26   |
| Item 17 - Voting Client Securities-----   | 27   |
| Item 18 - Financial Information -----   | 28   |

## ITEM 4 - ADVISORY BUSINESS

This Disclosure document is being offered to you in connection with the investment advisory services provided by Red Rocks Capital, LLC (“Red Rocks”) to provide you with information about the services we provide and the manner in which those services are made available to you, the client.

We are a fee-based investment management firm located in Golden, Colorado, specializing in Listed Private Equity securities. The firm was established in 2003 by founders, Adam Goldman and Mark Sunderhuse. On July 31, 2015, ALPS Advisors, Inc. (“AAI”), an investment adviser registered with the SEC, acquired Red Rocks. AAI is a wholly owned subsidiary of ALPS Holdings, Inc., which is a wholly owned subsidiary of DST Systems, Inc. (NYSE: DST)

The two founders worked for several years developing a proprietary database to identify and track publicly-traded private equity companies. Such securities are selected from a proprietary database that identifies and tracks publicly-traded private equity companies. A Red Rocks Listed Private Equity portfolio is comprised of 30 to 50 top publicly-traded private equity companies. With daily valuation and daily liquidity, investors in a Red Rocks Listed Private Equity portfolio have access to an asset class that has historically had high barriers to entry due to investor qualification, long lock-up periods and high initial investment minimums. This strategy is fully liquid, has institutional minimums and is available as a separate account or as an institutional mutual fund vehicle.

Additionally, we have developed and maintain three Listed Private Equity indices (domestic, international and global). One index, the Red Rocks Global Listed Private Equity Index, is the basis for an Exchange Traded Fund which is managed by an unrelated party.

The Red Rocks Listed Private Equity strategy invests in global, publicly-traded private equity companies. Our advice is limited to Listed Private Equities.

Our investment process begins with our extensive and proprietary database of publicly-traded private equity companies. This process took more than four years to develop. We screen the database using both quantitative and qualitative research to identify, what we believe are, top-performing, high-quality private equity companies. Some of the characteristics that we look for include:

### Quantitative research

- \$100MM market cap
- Historic returns
- Distribution history

### Qualitative research

- Management teams and track records
- Corporate structure
- Transparency

➤ Key leverage points

This analysis allows us to narrow the global coverage list to approximately 100 firms, which we then analyze extensively for possible inclusion in the portfolio. The focus of the analysis includes:

- Fundamental research – Talking to management, industry contacts and other experts in addition to evaluating management experience.
- Financial components – Analyzing valuation methodology, age of portfolio, upcoming liquidity events and underlying investments.
- Valuation – Identifying undervalued situations or situations where the firm believes returns can exceed current expectations. In addition, market expectations (either premium or discount) are compared.

The result of our research is a highly diversified portfolio of 30 to 50 securities.

Separately Managed Accounts (SMAs)

We may offer discretionary investment management and investment supervisory services for a fee based on a percentage of assets under management for the assets placed under our supervision. We would trade these portfolios on a discretionary basis, where you authorize us to make all investment decisions for your account. You are advised and expected to understand that our past performance is not a guarantee of future results and that certain market and economic risks exist that may adversely affect your account's performance and could result in capital losses in your account. Generally, we would manage pursuant to a specific model and our services are, therefore, rarely tailored to your individual needs.

Advisory Agreements - SMAs

All advisory services would be provided under the terms of an advisory agreement between Red Rocks and you, the separate account client. The advisory agreement generally would permit either the client or Red Rock to terminate the agreement upon written notice to the other party. In certain cases, specified advance notice of termination may be required pursuant to the advisory agreement.

Investment Pools

In addition to the separate account services described above, we may provide advisory or sub-advisory services to mutual funds and other investment pools (including, but not limited to, commingled funds, collective investment trusts and other public or private investment companies) sponsored by us or unaffiliated third-parties. Information concerning these funds and investment pools, including a description of the services we provide and advisory fees paid to us are contained in each fund's prospectus or investment pool's offering documents.

Listed Private Equity Indices

We maintain three Listed Private Equity indices (domestic, international and global). One index, the Red Rocks Global Listed Private Equity Index (the LPE Index), is the basis for an Exchange Traded Fund (ETF) which is managed by an unrelated party (PowerShares). We receive a quarterly, asset-based licensing fee from PowerShares for the right to use the index data in its product. As of December 31, 2015, the PowerShares Global Listed Private Equity Portfolios (PSP – the US-based version and PSSP – the UK-based version) had \$387.5MM and \$3.8MM in assets, respectively.

#### Wrap Fee Programs

We do not participate in wrap fee programs.

#### Assets

Red Rocks manages \$1,126.8MM as of December 31, 2015 for three sub-advisory relationships.

## ITEM 5 - FEES AND COMPENSATION

### Separately Managed Accounts

Our fee would include compensation for the advisory and consulting services we provide and trade entry and other account-related services. There are no redemption/exit fees or transaction fees charged by us. However, your custodian may charge custodial fees, transaction fees, redemption fees or commissions. These fees are independent of our fee and should be disclosed by your custodian.

The fees for accounts will be based on an annual percentage of assets under management. The fees are applied to your account asset value on a prorated basis, billed quarterly in arrears. The initial fee will be based on the market value of the account on the last day of the calendar quarter in which the transfer occurs and then prorated for the number of days in the quarter that your account is under management. Thereafter, the fee is based on the market value of the account on the last day of the previous calendar quarter and covers the period from the first day of the calendar quarter through the last day of the calendar quarter. The market value is determined as reported by your Custodian. Fees are assessed on all assets under management, including securities, cash and money market balances.

Fees may vary based on the size of the account, complexity of the portfolio, extent of activity in the account or other reasons agreed upon by Red Rocks and you. Fees will generally follow the schedule of assets under management outlined below. In certain circumstances, fees may be negotiated.

| Market Value of the<br>Advisory Assets | Maximum Annual<br>Advisory Fees% |
|--|----------------------------------|
| First \$ 25,000,000                    | 0.95%                            |
| Next \$ 25,000,000                     | 0.90%                            |
| Next \$ 50,000,000                     | 0.85%                            |
| Next \$ 100,000,000                    | 0.80%                            |
| Above \$200,000,000                    | 0.75%                            |
| Above \$500,000,000                    | Negotiable                       |

You authorize your custodian to deduct our management fees from your account and to pay us the management fee for each three-month period. We will send you a quarterly statement showing the amount of the management fee due, the account value on which the fee is based and how the fee is calculated. You are responsible for verifying fee computations since your custodian is not typically asked to perform this task. Your custodian will also send you a quarterly statement showing all amounts paid from your account including our management fees paid by your custodian to our firm and any additional fees and expenses paid to others (see “Additional Fees and Expenses” section below).

Either Red Rocks or you, upon written notice from the terminating party or the other party, may terminate your agreement. Any fees due to Red Rocks will be prorated and deducted from your account. Upon termination, you are responsible for monitoring the securities in your account, and Red Rocks as investment adviser will have no further obligation to act or advise with respect to those assets.

Red Rocks will maintain all the information initially provided by you in setting up the account. Red Rocks requires an initial account value of \$25,000,000.00; however, we may accept accounts for less than this minimum.

### Investment Pools

In addition to the separate account services described above, we provide advisory or sub-advisory services to mutual funds and other investment pools (including, but not limited to, commingled funds, collective investment trusts and other public or private investment companies) sponsored by Red Rocks or unaffiliated third-parties. Information concerning these funds and investment pools, including a description of the services we provide and advisory fees payable to us are contained in each fund's prospectus or investment pool's offering documents.

In addition, all fees paid to Red Rocks for investment advisory services are separate from any fees and expenses charged by the underlying funds (other pooled investment vehicles in which a Red Rocks portfolio may invest). A complete explanation of the expenses charged by the sub-advised Funds is contained in each fund's prospectus.

### Listed Private Equity Indices

Red Rocks maintains three Listed Private Equity indices (domestic, international and global – each an “Index”). One Index, the Red Rocks Global Listed Private Equity Index, is the basis for an Exchange Traded Fund which is managed by an unrelated party (the ETF Provider). We receive a quarterly, asset-based licensing fee from the ETF Provider for the right to use the Index data in its product. Index membership and maintenance is determined by the Index Committee. The Index is rebalanced at the end of each calendar quarter. There are no intra-quarter additions. Intra-quarter deletions occur only following de-listings from major stock exchanges.

The re-balancing of an Index (the Listed Private Equity Index for example) within Red Rocks will be done by a separate division with separate personnel (known as “Index Personnel”). The portfolio managers of an actively managed registered investment company, commingled funds, or a collective investment trust (each a “Fund”) for which Red Rocks is an adviser or sub-adviser (the personnel charged with making purchase/sales decisions of individual securities within the Fund(s), known as “Actively Managed Fund Personnel”) will not have access to any changes to an Index (additions, subtractions and re-weightings) prior to the general public being made aware of said information. The Actively Managed Fund Personnel will not make changes or recommendations to the Index. This will be the sole responsibility of the Index Personnel.



“Not have access to any changes to an Index” or “not make changes or recommendations to the Index” shall mean no written (correspondence, reports, email, etc.) or verbal (discussions, voice mail, etc.) communications between the Index Personnel and the Actively Managed Fund Personnel prior to the general public being made aware of said information.”

**Additional Fees and Expenses:**

Advisory fees payable to us do not include all the fees you will pay when we purchase or sell securities for your Account(s). The following list of fees or expenses are what you may pay directly to third parties, whether a security is being purchased, sold or held in your Account(s) under our management.

- Brokerage commissions;
- Transaction fees;
- Exchange fees;
- SEC fees;
- Advisory fees and administrative fees charged by Mutual Funds (MF) or Exchange Traded Funds (ETFs);
- Advisory fees charged by sub-advisers (if any are used for your account);
- Custodial Fees;
- Deferred sales charges (on MF or annuities);
- Odd-Lot differentials;
- Transfer taxes;
- Wire transfer and electronic fund processing fees;
- Commissions or mark-ups / mark-downs on security transactions ;
- Foreign taxes on dividends and/or interest income;

Please refer to the “Brokerage Practices” below for discussion of Red Rocks’ brokerage practices.

**ITEM 6 - PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

This item does not apply to our business.

## **ITEM 7 - TYPES OF CLIENTS**

We may provide advice to trusts, estates, charitable organizations, investment companies, collective investment trusts, pension plans and corporations. The minimum requirement for opening an account is \$25,000,000.00. Exceptions may be made to the minimum account size.

## **ITEM 8 - METHODS OF ANALYSIS, SOURCES OF INFORMATION AND RISK OF LOSS**

The method of analysis we use is fundamental. We may attend industry conferences and analyze presentations held on site or at outside locations. We meet with a variety of people within a company that the firm feels can help to develop conclusions regarding their securities.

The Red Rocks Listed Private Equity strategy invests in global, publicly-traded private equity companies.

The investment process begins with an extensive and proprietary database of publicly-traded private equity companies. We screen this database using both quantitative and qualitative research to identify, what we believe are top-performing, high-quality private equity companies. Some of the characteristics we look for are:

### Quantitative research

- \$100MM market cap
- Historic returns
- Distribution history

### Qualitative research

- Management teams and track records
- Corporate structure
- Transparency
- Key leverage points

This analysis allows us to narrow the global coverage list to approximately 100 firms, which we analyze extensively for possible inclusion in the portfolio. The focus of the analysis includes:

- Fundamental research – Talking to management, industry contacts, and other experts, in addition to evaluating management experience.
- Financial components –Analyzing valuation methodology, age of portfolio, upcoming liquidity events and underlying investments.
- Valuation –Identifying undervalued situations or situations where the firm believes returns can exceed current expectations. In addition, they compare market expectations (either premium or discount).

The result of the research is a highly diversified portfolio of 30 to 50 securities.

We have a minimum position of 0.5% and a maximum position of 10% in any given security at the time of purchase. The firm also limits emerging markets exposure of the

portfolio to <10%. For purposes of determining emerging markets exposure, Red Rocks does not include China, India, Brazil, and South Africa.

We take consider the following areas of diversification while constructing the portfolio:

- Stage of investment: All stages of investment with an emphasis on mid-stage to late-stage investments
- Geography: Global coverage of private equity investments
- Industry: Investments in a broad range of industries
- Vintage year: Diversification as to when the actual private investments were made, helping to minimize specific time period risk
- Capital structure: An emphasis on firms that make equity investments in private businesses, with some exposure to debt investments

We believe the key benefits to this type of strategy include:

#### Access and liquidity

With daily valuation and daily liquidity, investors in the Listed Private Equity portfolio have access to an asset class that has historically had high barriers to entry due to investor qualification, long lock up periods and high-initial investment minimums. This strategy is fully liquid, has institutional minimums, and is available as a separate account or as an institutional mutual fund vehicle.

#### Diversified portfolio

The Listed Private Equity portfolio is broadly diversified, providing exposure to a wide range of private investments. Diversification of the portfolio is examined in the five areas listed above.

#### Experienced portfolio management team

The strategy is managed by Adam Goldman and Mark Sunderhuse, who combined have more than 50 years of investment experience in both public and private equity.

Risk is managed through:

- A high degree of diversification (30+ LPE companies with 1,000+ underlying private businesses) within the portfolio across industry, geography, vintage year and stage of private investments
- Portfolio construction and size limits; a “core/satellite” approach whereby larger more stable companies have higher weightings and smaller more aggressive firms have lower weightings
- Liquidity of the security Red Rocks is contemplating purchasing
- Valuation based analysis of the underlying private businesses within an Listed Private Equity company’s portfolio of investments; higher weightings to undervalued situations
- Continual discussion at investment meetings between the Portfolio Managers and Analysts regarding specific portfolio company issues and risks

There are principal and material risks involved which may adversely affect the asset value and total return of your portfolio. There are other circumstances (including additional risks that are not described here) which could prevent the portfolios from achieving its investment objective. It is important to read all the disclosure information provided and to understand that you may lose money by investing in the Red Rocks Strategy. Your portfolio may be subject to the following risks:

- Stock Market Risk – The value of equity securities in the portfolio will fluctuate and, as a result, the value may decline suddenly or over a sustained period of time.
- Managed Portfolio Risk – The manager's investment strategies or choice of specific securities may be unsuccessful and may cause the portfolio to incur losses.
- Private Equity Risk – In addition to the risks associated with the portfolio's direct investments, the assets are also subject to the underlying risks which affect the Listed Private Equity Companies in which the portfolio invests. Listed Private Equity Companies are subject to various risks depending on their underlying investments, which could include, but are not limited to, additional liquidity risk, industry risk, non-U.S. security risk, currency risk, valuation risk, credit risk, managed portfolio risk and derivatives risk.
- Industry Risk – The portfolio's investments could be concentrated within one industry or group of industries. Any factors detrimental to the performance of such industries will disproportionately impact the portfolio. Investments focused in a particular industry are subject to greater risk and are more greatly impacted by market volatility than less concentrated investments.
- Non-U.S. Securities Risk – Non-U.S. securities are subject to the risks of foreign currency fluctuations, generally higher volatility and lower liquidity than U.S. securities, less developed securities markets and economic systems and political and economic instability.
- Emerging Markets Risk – To the extent that the portfolio invests in issuers located in emerging markets, the risk may be heightened by political changes and changes in taxation or currency controls that could adversely affect the values of these investments. Emerging markets have been more volatile than the markets of developed countries with more mature economies.
- Currency Risk – The value of the portfolio's investments may fall as a result of changes in exchange rates.
- Derivatives Risk – Derivatives involve special risks and costs and may result in losses to the portfolio. The successful use of derivatives requires sophisticated management, and, to the extent that derivatives are used, the portfolio will depend on our ability to analyze and manage derivatives transactions. The prices of derivatives may move in unexpected ways, especially in abnormal market conditions.

To achieve its objective, the portfolio will invest at least 80% of its assets in (i) securities of U.S. and non-U.S. companies, including those in emerging markets, listed on a national securities exchange, or foreign equivalent, that have a majority of their assets invested in or exposed to private companies or have as its stated intention to have a

majority of its assets invested in or exposed to private companies (“Listed Private Equity Companies”) and (ii) derivatives, including options, futures, forwards, swap agreements and participation notes, that otherwise have the economic characteristics of Listed Private Equity Companies. Although the portfolio does not invest directly in private companies, it will be managed with a similar approach: identifying and investing in long-term, high-quality Listed Private Equity Companies.

Listed Private Equity Companies may include, among others, business development companies, investment holding companies, publicly-traded limited partnership interests (common units), publicly-traded venture capital funds, publicly-traded venture capital trusts, publicly-traded private equity funds, publicly-traded private equity investment trusts, publicly-traded closed-end funds, publicly-traded financial institutions that lend to or invest in privately held companies and any other publicly-traded vehicle whose purpose is to invest in privately held companies. The determination of whether a company is a Listed Private Equity Company will be made at the time of purchase and a portfolio company’s status will not vary solely as a result of fluctuations in the value of its assets or as a result of the progression of its holdings through the normal stages of a private equity company, including the exit stage. A portfolio company is considered to have a stated intention of investing primarily in private companies if it meets the criteria above under normal circumstances, notwithstanding temporary fluctuations in the public/private values of its private equity portfolio. The inclusion of a company in a recognized Listed Private Equity index will be considered a primary factor in the determination of whether a company is a Listed Private Equity Company.

---

**ITEM 9 - DISCIPLINARY INFORMATION**

---

We do not have any legal, financial or other “disciplinary” item to report.



## **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Red Rocks is affiliated with ALPS Distributors, Inc. (“ADI”) and ALPS Portfolio Solutions Distributor, Inc. (“APSD”) both registered broker-dealers under the Securities Exchange Act of 1934. ADI and APSD are under common control with ALPS Advisers, Inc. (“ALPS Advisers”), Red Rocks’ parent company and an investment adviser registered with the SEC. ALPS Advisers is a wholly owned subsidiary of ALPS Holdings, Inc., which is a wholly owned subsidiary of DST Systems, Inc. (NYSE: DST)

Red Rocks’ clients may employ the services of ADI or APSD in connection with the promotion and distribution of their fund’s shares. A complete explanation of services rendered is contained in each fund's prospectus.

Red Rocks does not trade through either ADI or APSD as neither broker-dealers trade National Market Securities.

Red Rocks is also affiliated with DST Market Services, LLC (“DST Market Services”) and WMSI Securities, LLC (“WMSI Securities”), both registered broker-dealers under the Securities Exchange Act of 1934 as both are under common control with DST Systems, Inc. Red Rocks does not trade through either DST Market Services or WMSI Securities.

## **ITEM 11 - CODE OF ETHICS PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Red Rocks, through its parent company AAI, has adopted a Code of Ethics (“Code”) for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code requires that our employees act with honesty and integrity, adhere to the highest standards and comply with applicable federal securities laws. All employees must acknowledge the terms of the Code initially upon hire and thereafter annually.

Employees with access to certain information (as determined by their job position or as so designated by the Chief Compliance Officer) may also be deemed to be “Access Persons” or “Investment Persons.” Each such distinction has specific restrictions, limitations, reporting requirements and other policies and procedures that apply to persons defined as such.

Our Code includes the following:

- Requirements related to confidentiality of client information;
- Prohibitions on:
  - Insider trading and tipping (if we are in possession of material, non-public information);
  - The acceptance of gifts and entertainment that exceed our policy standards;
- Requirements and reporting related to gifts and/or business entertainment;
- Pre-clearance of applicable personal securities transactions by “Access and Investment Persons”;
- Reporting of personal securities transactions by employees deemed to be “Access Persons” or “Investment Persons”; and,
- On an annual basis, “Access and Investment Persons” must disclose any account in which they have beneficial ownership (they “own” the account or have “authority” over the account) and disclose all covered securities they own at that time.

The Personal Trading Policy prohibits an associated person of our firm from buying or selling any security that we hold or are liquidating, or we contemplate holding or liquidating (the Restricted Securities). The list of Restricted Securities includes the Red Rocks Listed Private Equity Universe. It will be the responsibility of each associated person to insure that any security that is being considered for a transaction is not on the list of Restricted Securities.

To address conflicts related to personal trading, the Code requires any person deemed to be an “Investment Person” to pre-approve many types of securities transactions and imposes holding period requirements. The Code also requires reporting of personal securities transactions by any person deemed to be an “Access Person” or “Investment Person” and Red Rocks reviews such reports. The Code further prohibits a Red Rocks “Investment Person” from buying or selling any security that we hold or are liquidating, or we contemplate holding or liquidating (the “Restricted Securities”). The list of Restricted Securities includes the Red Rocks Listed Private Equity Universe.

Red Rocks’ clients or prospective clients may request a copy of its Code of Ethics policy by contacting Red Rocks at 303-679-8252.

## ITEM 12 - BROKERAGE PRACTICES

### When Red Rocks Selects Broker Dealers

When we have full discretion in the selection of brokers or dealers, we seek to obtain quality execution for security transactions through brokers and dealers who, in our opinion, are financially responsible. Listed Private Equity securities are generally executed on a listed exchange with a brokerage commission paid by the client.

For those clients who grant us discretion to select brokers or dealers, we may aggregate (or “bunch”) multiple account orders into larger blocks for execution. Accounts which participate in such block trades receive the average price of any partial execution of such block trades.

### Factors in Selection

In selecting a broker or dealer, we may take into account relevant factors with respect to liquidity and execution of the order, as well as the amount of the capital commitment by the broker or dealer. Other relevant factors may include, without limitation: (a) the execution capabilities of the brokers and/or dealers, (b) the size of the transaction, (c) the difficulty of execution, (d) the operations facilities of the brokers and/or dealers involved, and (e) the risk in positioning a block of securities. Under no circumstances will the firm consider, in selecting brokers or dealers to execute transactions for your accounts, a broker or dealer’s promotion or sale of shares.

We may receive research services provided by a broker or dealer who executes trades on behalf of our firm. Your account may pay a broker or dealer an amount of commission for effecting a transaction for your account in excess of the amount of commission another broker or dealer would have charged for effecting that transaction if we determine in good faith that the amount of commission is reasonable in relation to the value of the brokerage and research services provided by the broker or dealer, viewed in terms of either the particular transaction or our overall responsibilities with respect to the accounts we exercise investment discretion. This method of receiving research services will only utilize the commissions charged on agency transactions. On occasion, the services may not be used in connection with the management of some of the accounts which paid commissions to the broker or dealer providing the services and may be used in connection with the management of other accounts.

Receipt by us of brokerage and research services may sometimes be a factor in selecting a broker or dealer where we believe that the broker or dealer will provide quality execution of the transactions at competitive commission rates. The brokerage and research services which may be a factor in selection include, without limitation, a wide variety of reports, charts, publications, subscriptions, quotation services, news services, investment related hardware and software, and data on such matters as economic and

political developments, industries, companies, securities, portfolio strategy, account performance, credit analysis, stock and bond market conditions and projections, asset allocation, portfolio structure, economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice, market analysis, advice as to the availability of securities or purchasers or sellers of securities, and meetings with management representatives of issuers and other analysts and specialists.

We do not have any formal agreement or understanding with a broker or dealer which might be construed by the broker or dealer as a fixed dollar commitment in return for research services.

#### When Our Clients Direct Brokerage

You may make your own arrangements with a broker or dealer pursuant to a commission recapture program or other program. Clients who make such arrangements may receive cash rebates, products, services, expense payments or expense reimbursements from the broker or dealer based on commissions generated when we place trades for your account. In connection with these programs, you may direct us to effect some or all transactions for your account through a specific broker or dealer.

Under such circumstances, we may not negotiate brokerage commissions with respect to transactions executed by that broker or dealer for your account. Rather, you and the specific broker or dealer may agree on the commission that the specific broker or dealer will charge for transactions effected for the account. As a result, and depending upon (a) your arrangement with the specific broker or dealer (if applicable), (b) such factors as the number of securities, instruments or obligations being bought or sold for you, whether round or odd lots are being acquired for you and the market for the security, instrument or obligation, and (c) the fact that you may be forgoing any benefit from savings on execution costs that we could obtain as a result of negotiating commissions or “bunching” transactions, you may pay higher commissions than those paid by clients who have not directed us to execute transactions through a specific broker or dealer and may not receive the best available price with respect to certain transactions effected for your account. For these and other reasons, you may not receive best execution on transactions effected through the specified broker or dealer.

In agreeing to satisfy your directions to execute transactions for your account through designated brokers or dealers, we understand that it is your responsibility to ensure that (i) all services provided by the brokers or dealers will inure solely to the benefit of your account and any beneficiaries of the account, are proper and permissible expenses of the account and may properly be provided in consideration for brokerage commissions or other remuneration paid to the brokers or dealers, (ii) using the brokers or dealers in the manner directed is in the best interests of your account and any beneficiaries of the account, taking into consideration the services provided by the brokers or dealers, (iii) its directions will not conflict with any obligations that persons acting for your account may have to the account, its beneficiaries or any third parties, including any fiduciary

obligations that persons acting for the account may have to obtain the most favorable price and execution for the account and its beneficiaries and (iv) persons acting for your account have the requisite power and authority to provide the directions on behalf of the account and have obtained all consents, approvals or authorizations from any beneficiaries of the account and third parties that may be required under applicable law or instruments governing the account.

#### Recommending Brokers to You

Generally, we do not recommend brokers or dealers to you (apart from choosing the broker dealer where we have discretion to do so, as described above). However when requested by you, we may recommend or suggest one or more brokers or dealers to you.

#### Brokerage for Client Referrals

We do not receive client referrals from a broker-dealer or third party; therefore, there is no incentive to select or recommend a broker-dealer based on the firm interest in receiving client referrals.

### **ITEM 13 - REVIEW OF ACCOUNTS**

We review your portfolio on a daily basis regarding such things as compliance-related items, recent news, allocations within a portfolio, fundamental valuation and/or any other Macro/Micro items that could potentially impact price movement.

Reviewers are principals or senior analysts. Currently these include three people, Adam Goldman and Mark Sunderhuse, portfolio managers and Andrew Drummond, Vice President, Research. The reviews are done on a collective basis and include all accounts. Instructions are to point out any concerns or issues.

We conduct portfolio reviews on a quarterly basis unless requested otherwise and reports are customized based on the requests of the client. Generally, the reports include performance data, compliance updates, operational updates, personnel updates, etc.

#### **ITEM 14 - CLIENT REFERRAL AND OTHER COMPENSATION**

We may enter into Master Soliciting/Selling Agreements with Financial Professional firms providing cash compensation to persons who introduce or refer clients and who provide distribution and marketing assistance for referred clients. These agreements are governed by, and require that the solicitors meet the disclosure and other requirements of, Rule 206(4)-3 under the Investment Advisers Act of 1940, as well as comply with other applicable laws and regulations. Generally, these agreements provide for compensation equal to a specified percentage of the fees received by the firm. This arrangement has no impact on the fees being charged you. We will pay a Financial Professional's firm a quarterly fee based on deposits or assets under management and/or some combination thereof. We reserves the right to increase or decrease the threshold and/or criteria of these arrangements in the future based on the opportunities presented and ability to expend its business platform.



---

## **ITEM 15 - CUSTODY**

---

All client account assets are held by a qualified custodian. Red Rocks periodically reviews clients' custody relationships to ascertain their effectiveness, responsiveness and costs. Red Rocks, however, is not responsible for the actions of a client's custodian.

Clients should carefully review account statements received directly from the qualified custodian. We also urge you to compare the account statement you receive from your qualified custodian with the statements provided by us.

## **ITEM 16 - INVESTMENT DISCRETION**

Pursuant to written advisory agreements, our clients generally grant us the authority to supervise and direct on an ongoing basis your investments in accordance with your predetermined investment objectives and guidelines. Under the terms of such agreements, we are authorized, in our discretion and without prior consultation with you to: (1) buy, sell, exchange and otherwise trade any stocks, bonds or other securities or assets, (2) determine the amount of securities to be bought or sold and (3) place orders with the custodian.

Our authority can be subject to restrictions imposed by certain federal securities laws or other federal or state regulations. In addition to investment limitations imposed by such applicable regulations, certain investment companies, collective investment trusts, commingled funds, and separately managed accounts may establish certain restrictions on the types and quantities of securities that we can purchased. Any limitations to our authority will be communicated by you to Red Rocks in writing.

---

## **ITEM 17 - VOTING YOUR SECURITIES**

---

Red Rocks exercises voting authority with respect to your securities. We have adopted written proxy voting policies and procedures. To facilitate its proxy responsibilities, we have contracted with ISS Governance (ISS) to vote all proxies on our behalf. ISS generally follows recommendations made by ISS. Prior to any proxy vote, such recommendations are reviewed by one of our portfolio managers, with the reasons for any votes that are contrary to ISS recommendations being documented. You have the option to vote your proxies. Upon receipt of a request for more information, we will provide you with a copy of the proxy policy and/or how we voted proxies for you pursuant to this policy. It is our policy not to disclose how we voted your proxy to third parties.

## **ITEM 18 - FINANCIAL INFORMATION**

This item is not applicable to this brochure. We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.