

## **Harrison Street Securities, LLC**

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**This brochure provides information about the qualifications and business practices of Harrison Street Securities, LLC. If you have any questions about the contents of this brochure, please contact us through James McNamara, Senior Vice President-Operations, at 312-582-2861 or [jmcnamara@harrisonst.com](mailto:jmcnamara@harrisonst.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 authority.**

**Additional information about Harrison Street Securities, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Harrison Street Securities, LLC is an SEC registered investment advisor. This registration does not imply a specific level of expertise, skill or training. This registration does not imply a recommendation by the United States Securities and Exchange Commission or by any state securities authority.**

**This Cover Page constitutes Item 1 to the Harrison Street Securities, LLC Brochure**

Please note: Harrison Street Securities, LLC does business as Harrison Street Securities Management, LLC in the State of Illinois.

## *Item 2. Material Changes*

This Brochure is an update to the previously filed and used Brochure dated March 28, 2013.

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## *Item 4. Advisory Business*

### *Background and Ownership*

Harrison Street Securities, LLC (“HSS,” the “firm” or “we”) is an SEC registered, principal-owned investment manager focused on the management of portfolios of publicly traded real estate-related securities of North American domiciled companies. Our clients are institutional clients and high-net worth individuals. We manage a private investment fund, Harrison Street Securities Active Low Risk Alpha Fund, LLC (ALRA Fund) and serve as manager of the Aston/Harrison Street Real Estate Fund, a sector fund within the Aston Asset Management, LP family of registered investment companies. HSS offers investment management services through separate accounts, sub-advisory relationships and pooled investment vehicles (including our ALRA Fund).

The firm was founded in 2005 as Transwestern Securities Management, L.L.C. by Transwestern Investment Company, L.L.C. (TIC), now known as Pearlmark Real Estate Partners, L.L.C., James Kammert and Reagan Pratt. TIC is a private real estate investment firm. Kammert and Pratt have been since inception, and continue to be, our portfolio managers. On December 31, 2010, HS Securities Holdings, LLC purchased for cash the 60% ownership interest in the firm from TIC making our principals HS Securities Holdings, LLC, Kammert and Pratt.

HS Securities Holdings, LLC is a Delaware limited liability company formed to acquire and own the 60% (controlling) membership interest in HSS. HS Securities Holdings, LLC is an affiliate of Harrison Street Real Estate Capital (HSRE), the sponsor of five private real estate funds holding ownership interests in approximately \$4.3 billion (at December 31, 2013) in real estate assets including operating properties and properties under development. The controlling members and managers of HS Securities Holdings, LLC are Christopher Merrill, Christopher Galvin and Michael Galvin. HS Securities Holdings, LLC has appointed Christopher Merrill to the board of managers of HSS. He is also a principal and officer of HSRE. Christopher Galvin and Michael Galvin are private investors. Merrill, Kammert and Pratt serve as the board of managers of the firm. Stephen Gordon, General Counsel of HSRE, serves as the Chief Compliance Officer of HSS.

### *HSS Advisory Services*

We are focused on the management of portfolios of publicly traded real estate-related securities of North American domiciled companies, on behalf of institutional clients and high-net worth individuals. Real estate securities include shares of publicly traded REITs, any real estate

development or operating company and any real estate management company including, without limitation, any company that is in the business of developing, owning, operating or managing hotels and casinos, apartment buildings or complexes, self-storage facilities, residential communities, office buildings, communication towers and convenience stores. All of the securities in which we invest are of companies that are based in the United States or Canada. We advise our clients on building, managing and trading a portfolio of publicly traded real estate securities. We do not purchase or sell for our client's accounts derivatives, nor do we engage in short selling of real estate securities.

We manage on an exclusive basis the North American real estate portfolio for two non-U.S. investment companies. We work within the investment objectives and investment restrictions set by each of these clients in using our discretionary authority to buy and sell real estate securities for their portfolios.

We also actively manage the Aston/Harrison Street Real Estate Fund, a sector fund within the Aston Asset Management, LP family of registered investment companies (mutual funds). Aston/Harrison Street Real Estate Fund holds and trades an approximately \$13 million (at February 28, 2014) portfolio of public real estate securities.

Clients may impose reasonable restrictions on investing in certain securities or types of securities. If requested by a client, HSS will work with the client to tailor investment objectives and restrictions which may include specific security and sub-sector restrictions and appropriate benchmarks.

HSS does not currently participate in wrap fee programs.

As of February 28, 2014, we managed \$895,873,939 in discretionary client assets in eight accounts. We do not manage any non-discretionary client assets.

## *Item 5. Fees and Compensation*

### *General Description*

HSS offers investment management services through separate accounts, sub-advisory relationships and pooled investment vehicles (including our ALRA Fund).

#### **Separate Accounts**

HSS provides separate account investment management services to high net worth individuals and institutional investors. Management fees for separate account services may range from 0.2% to 1.5% per annum, charged monthly or quarterly in arrears, depending on the types of services a client requires. In addition, HSS may charge a performance-based fee for qualified clients of up to 5% of the net investment growth in the client's account on a quarterly or annual basis. Please note that lower management fees are typically accompanied by higher incentive fees and vice versa. We generally bill our fees quarterly to our clients for either direct payment by the client or client-directed payment from the account. Our separate account management fees are negotiable.

#### **Sub-Advisory Relationships**

HSS provides sub-advisory services to other investment managers, primarily through pooled investment vehicles managed by such investment managers and through Aston Asset Management, LP, an SEC registered investment company and the investment adviser to Aston Funds. Management fees for sub-advisory services may range from 0.2% to 1.5% per annum, charged either monthly or quarterly in arrears, depending on the types of services a client requires. In addition, HSS may charge a performance-based fee for eligible clients, other than Aston Asset Management, LP, of up to 5% of the net investment growth in the sub-advised account over an agreed upon benchmark index payable on a quarterly or annual basis. Please note that lower management fees are typically accompanied by higher incentive fees and vice versa. Currently, we bill our sub-advisory management fees either monthly or quarterly in arrears. A sub-advisory client is also expected to reimburse us for any travel related expenses that we incurred in performing services to the client.

## **The ALRA Fund**

### **Fees and Expenses**

HSS receives a monthly management fee (“Management Fee”), in arrears in an amount equal to 0.65% per annum of the net asset value (“NAV”) of each investor’s capital account in the ALRA Fund as of the end of each calendar month (1/12 of 0.65% is charged as of the end of each calendar month). We have a negotiated agreement with one investor in the ALRA Fund under which we are entitled to a performance fee in exchange for a reduced monthly Management Fee. We deduct our fees from the investors’ accounts.

There is no sales charge associated with investing in the ALRA Fund. The ALRA Fund generally bears the costs and expenses associated with its operations, including investment expenses. The ALRA Fund is responsible for its ongoing direct administrative professional expenses (such as audit, tax return preparation, accounting and legal fees), its transaction expenses (such as brokerage commissions), miscellaneous expenses (such as regulatory and filing fees), custodial fees and any extraordinary expenses it may incur. The organizational costs and expenses of the Fund, including its initial offering expenses were borne by HSS.

HSS may agree to a different Management Fee arrangement in respect of any investor in the ALRA Fund, or waive or reduce the Management Fee in respect of any investor, in its sole discretion.

### **Liquidity**

An investor in the ALRA Fund may generally withdraw all or any part of the balance of its capital account as of the last business day of any month upon not less than one month prior written notice to HSS, provided that the capital sought to be withdrawn had been invested in the ALRA Fund no less than six months as of the effective date of such withdrawal.

More complete information about the ALRA Fund can be found in the Confidential Private Placement Memorandum for the Fund, copies of which are available from HSS.

### ***Method of Fee Payment***

Management fees for separate accounts and sub-advisory relationships are charged either monthly or quarterly in arrears. Management fees for the ALRA Fund are deducted monthly in arrears. Generally, separate accounts and sub-advisory relationships are billed monthly or quarterly

based on client preference and the amount of assets under management. At the client's request, we will withdraw our management fees when due from the client's account. We do not charge clients in advance.

#### *Other Fees or Expenses*

Client accounts are subject to brokerage fees, regulatory fees, transaction costs, custodian fees and other costs and expenses, regardless of whether the account realizes any profits. We make commercially reasonable efforts to minimize these costs. For the ALRA Fund, we have a custodian arrangement with Goldman Sachs Execution and Clearing (GSEC) to hold client securities and cash assets. GSEC charges brokerage fees associated with our use of their REDI trading platform. We also have an arrangement with Grace Financial Group which serves as an introducing broker for our real estate securities transactions. Grace Financial Group provides additional reporting for separate accounts and the ALRA Fund and acts as the liaison with GSEC. More detailed information is available in this brochure under Item 12, Brokerage Practices.

Neither HSS nor any of its supervised persons accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.



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

We manage our client accounts on both an asset-based fee (percentage of assets basis) and on a combined asset-based fee plus performance-based fee basis. HSS will charge performance based fees only to those clients who are “qualified clients” as defined in Rule 205-3 under the Investment Advisers Act of 1940 (the “Adviser’s Act”). A “qualified client” is generally an entity or individual (including assets held jointly with spouse) that has a net worth in excess of \$2,000,000 (exclusive of home value) or has \$1,000,000 invested with us, however, any entity or individual who was our client before September 19, 2011, and that had a net worth in excess of \$1,500,000 would also be a qualified client.

When an investment manager is responsible for both asset-based fee accounts and performance-based fee accounts, a conflict of interest can arise in allocating purchases and sales among the client accounts from the incentive to allocate the lowest purchase prices and the highest sales prices to the performance-based fee accounts. Where HSS determines that two or more clients should participate in a specific purchase or sale of a security, it will generally rotate on a specific allocation basis. For purchases of securities, rotation will take into account the available cash balance in each client’s account. For sales of securities, rotation will take into account the need for cash in each client’s account. HSS has followed the practice of allocating on a non-rotational (e.g. pro rata, specific allocation or aggregation) basis where the circumstances justify such action. HSS is currently implementing new trading software that, upon full implementation, will enable HSS to more efficiently allocate purchases and sales of securities on, and evolve its allocation practice to primarily be, on a non-rotational (e.g. pro rata, specific allocation or aggregation) basis. Our target date for this changeover is on or about June 30, 2014.

In addition, since HSS generally has full investment discretion in trading its clients’ accounts, it may have an incentive to allocate what it believes to be more desirable investment opportunities to those accounts that will generate a higher fee for HSS. We will not knowingly favor any account over another in allocating investment opportunities. However, this does not mean that each client account will participate in every investment opportunity. Depending on the relevant account’s investment objectives and risk profile, an account may or may not participate in any specific opportunity.

## *Item 7. Types of Clients*

We are focused on the management of portfolios of publicly traded real estate-related securities of North American domiciled companies on behalf of institutional clients and high-net worth individuals. High net worth individuals may contract for our services as the manager of a separate account or invest as a member of ALRA Fund.

We currently impose a minimum investment on separate accounts of \$5,000,000. We may raise or lower the minimum investment from time to time in our discretion.

With the exception of Aston/Harrison Street Real Estate Fund (for which we do not have a minimum), we currently impose a minimum investment on sub-advisory relationships of \$50,000,000. We may raise or lower the minimum investment from time to time in our discretion.

HSS typically imposes a minimum investment in the ALRA Fund of \$250,000; however, we may from time to time in our sole discretion admit investors to the ALRA Fund who invest less than \$250,000. HSS may raise or lower the minimum investment in the ALRA Fund from time to time in its discretion.

Membership interests in the ALRA Fund are offered directly by HSS only to investors who are “accredited investors” as defined in Rule 501(a) of Regulation D (“Regulation D”) under the Securities Act of 1933, as amended (the “Securities Act”).

An “accredited investor” is generally (i) an individual with a net worth, individually or jointly with a spouse, in excess of \$1,000,000 exclusive of home, or an annual income in the two most recent calendar years and a reasonable expectation in the current year in excess of \$200,000 individually or \$300,000 jointly with a spouse, or (ii) an entity with assets in excess of \$5,000,000.

## *Item 8. Methods of Analysis, Investments Strategies and Risk of Loss*

### **Methods of Analysis and Investment Strategies**

We are focused on the management of portfolios of publicly traded real estate-related securities of North American domiciled companies on behalf of institutional clients and high-net worth individuals.

HSS typically uses an integrated four-step bottom-up stock selection process. The first step involves a proprietary cross-sectional relative cash flow multiple analysis. The second step involves a comparison of current stock prices with estimated net asset values of the companies being analysed. The third step is an evaluation of the companies' management, and the fourth step involves calculating an estimated warranted share price that takes into account the first three steps. Our belief is that stock selection drives investment return by recognizing price inefficiencies. Fundamental, proprietary research leads to our independent, non-consensus valuations; and positions us to allocate capital according to what we believe to be the best return/risk profile given the client's investment objectives and restrictions. Top-down portfolio construction controls risk. Risk controls are designed to ensure that HSS allocates capital according to the preferred return/risk profile within the chosen strategy. Control variables include position size limits, property sector, geographic, industry and interest rate exposures.

Our strategy is to have our clients' accounts fully invested in securities at all times, with the exception of frictional cash. We do not manage cash in our portfolio construction process. Thus, our sell discipline is based, in part, upon identifying securities to be purchased so that substantially all of the cash is always invested in securities.

We invest only in long positions. We do not purchase, sell or create derivatives or sell securities short.

### **Risk of Loss**

General Investment Risk - All trading in securities and other financial instruments involves substantial risk of loss (potentially resulting in rapid declines in market prices and significant losses) arising from any number of factors that are beyond HSS control such as: changing market sentiment; changes in industrial conditions, competition and technology; changes in inflation, exchange or interest rates; changing domestic or international economic or political conditions or events; changes in tax laws and governmental regulation; and changes in trade, fiscal, monetary or exchange control programs or policies of governments

or their agencies (including their central banks). Changes such as these, as well as innumerable other factors, are often unpredictable and unforeseeable, rendering it difficult or impossible to predict or foresee future market movements.

**Strategy Risk** - Our strategy involves the acquisition of particular securities that we believe are undervalued and the sale of securities when we believe that they are exceeding relative value. The success of the long positions established pursuant to HSS strategy depends in large part on our ability to accurately assess the fundamental value of the securities and the company assets and business. An accurate assessment of fundamental value depends on a complex analysis of a number of financial factors. No assurance can be given that HSS will be in a position to assess the nature and magnitude of all material factors having a bearing on the value of the Fund's positions, or that we will accurately assess the impact of all factors of which it is aware.

We attempt to control strategy risks by imposing position minimums and maximums, maintaining an approximately 80% balance of the client's portfolio within the major property types included in the chosen benchmark index, and limiting the amount of the client's portfolio that can be invested in companies outside of the chosen benchmark.

**Institutional Risk** - Clients are subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses.

**Custodial Risk** - Financial institutions such as broker-dealers and banks will have custody of the Client's assets. We have engaged Goldman Sachs Execution and Clearing (GSEC) as custodian of the ALRA Fund assets and we have encouraged our clients to engage GSEC as custodian of their separate account assets. We have and will work with qualified custodians other than GSEC that are selected by, and acceptable to, our clients. Often assets held in custodial accounts will not be registered in the client's name. Financial difficulty, fraud or misrepresentation by custodian institutions could impair the operational capabilities or capital position of the client.

**Small and Medium Capitalization Company Risk** - Typically, at least 30% of a client's portfolio will be invested in securities of large capitalization companies. HSS may invest client assets in public real estate companies with small to medium-sized market capitalizations. While we believe that these companies often provide significant profit opportunities, we recognize that smaller-capitalized companies involve higher risks in some respects than do investments in larger companies.

Illiquid Instrument Risk - HSS expects that substantially all of a client's investments will be in the form of securities that are traded on organized exchanges or are actively traded in the over-the-counter market. Nevertheless, these markets may have, or could develop, limited liquidity and depth. Limited liquidity and lack of depth could be a disadvantage, both in the execution of orders at desired prices and in the ability to close out open positions.

Frequent Trading Risk - HSS client accounts are actively managed and may involve frequent trading. Active management may result in increased brokerage, transaction costs, fees and taxes. Frequent trading may have an adverse effect on investment performance due to these additional costs. HSS currently manages all client accounts without regard to tax considerations.

General Real Estate Risks – Real estate, like many other types of investments, historically has experienced significant fluctuation and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of the client's investments. The value of the client's investments will depend on many factors beyond our control, including, without limitation: changes in general economic or local conditions; changes in supply of or demand for competing properties in an area; changes in interest rates; the financial condition of buyers, sellers and tenants of property; changes in real estate tax rates and other operating expenses; energy and supply shortages; various uninsured or uninsurable risks; natural disasters; changes in the character of a company's assets; changes in dividend distribution rates; and changes in company management.

### *Item 9. Disciplinary Information*

Neither HSS nor any of its management persons is or has been involved in any legal or disciplinary events that would be material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

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

Neither HSS nor any of its management persons is registered or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer, as a futures commission agent, commodities pool operator, commodities trading adviser or an associated person of any of the foregoing.

Our 60% owner, HS Securities Holdings, LLC, is an affiliate of Harrison Street Real Estate Capital (HSRE). HSRE is a Chicago-based real estate investment management firm that currently operates five real estate investment limited partnerships. HSRE-sponsored limited partnerships own interests in approximately \$4.3 billion (at December 31, 2013) in real estate assets, including operating properties and projects under development. The limited partnerships hold investments in, and are focused on investing in student housing, seniors housing and self-storage, among other sectors of the real estate industry.

HSRE is the sole member of Harrison Street Advisors, LLC (“HSTA”), an investment adviser registered under the Investment Advisers Act of 1940 (the “Adviser’s Act”). HSTA is the investment manager of Harrison Street Core Property Fund, L.P., a private real estate equity fund sponsored by HSRE. Substantially all of the employees of HSRE serve as the employees of Harrison Street Advisors, LLC.

We obtain general real estate market and economic information from HSRE and we share back office and administrative personnel with HSRE and HSTA. Christopher Merrill, a member of our board of managers and investment policy committee, is a principal and officer of HSRE. Stephen Gordon, our Chief Compliance Officer, is General Counsel to, and a principal of, HSRE. Merrill is the chief executive officer, chief financial officer and a member of the investment committee of HSTA, and Stephen Gordon serves as its General Counsel and Chief Compliance Officer. Neither Merrill nor Gordon is actively involved in the execution of our investment strategies or the management of client accounts. None of the funds sponsored by HSRE invest in publicly traded securities. However, an HSRE-sponsored fund may receive publicly traded securities in connection with the sale or other disposition of such fund’s property holdings. The potential exists for material, non-public information to pass between HSRE and HSS. Procedural, physical and legal barriers have been put in place to minimize the likelihood of such an event. More information is available to clients in the HSS Code of Ethics and Policies & Procedures Manual.

HSS does not recommend or select other investment advisers for its clients.



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

### *Code of Ethics*

We follow a Code of Ethics that is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (“Advisers Act”) and Rule 17j-1 under the Investment Company Act of 1940. A copy of our Code of Ethics is available to current and prospective clients upon request.

This Code establishes rules of conduct for all employees of HSS and is designed to, among other things; govern personal securities trading activities in the accounts of employees. In addition, our Code of Ethics includes safeguards designed to avoid and/or mitigate conflicts of interests that could adversely affect our clients. In addition to requiring compliance with the applicable securities laws, our Code of Ethics establishes policies and procedures designed to prevent the misuse of material, non-public information (including information regarding our clients), and identifies activities that are either expressly prohibited or that require Chief Compliance Officer approval. Matters that could give rise to an appearance of impropriety, such as gift giving and solicitation, serving on boards of directors of public companies, and political contribution payments and solicitation also require prior approval by the Chief Compliance Officer.

The Code is based upon the principle that HSS and its employees owe a fiduciary duty to HSS' clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their position with the firm and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

The Code is designed to ensure that the high ethical standards long maintained by HSS continue to be applied. The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct.

HSS and its employees are subject to the following specific fiduciary obligations when dealing with clients:

- The duty to have a reasonable, independent basis for the investment advice provided;

- The duty to seek best execution for a client's transactions where HSS is in a position to direct brokerage transactions for the client;
- The duty to ensure that investment advice is suitable to meeting the client's individual objectives, needs and circumstances; and
- A duty to be loyal to clients.

### *Interested Transactions*

No HSS access person shall recommend any securities transactions for a client without having disclosed his or her interest, if any, in such securities or the issuer thereof, including without limitation:

- any direct or indirect beneficial ownership of any securities of such issuer;
- any contemplated transaction by such person in such securities;
- any position with such issuer or its affiliates; and
- any present or proposed business relationship or transaction between such issuer or its affiliates and such person or any party in which such person has a significant interest, including, without limitation, HSRE and limited partnerships sponsored by HSRE.

### *Investments by Supervised Persons*

We have adopted the following principles governing personal investment activities by our supervised persons:

- The interests of client accounts will at all times be placed first;
- All personal securities transactions will be conducted in such manner as to avoid and/or mitigate any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility; and
- Access persons must not take inappropriate advantage of their positions.

To best assure that clients' transactions have first priority, purchases and sales of publicly traded securities by our supervised persons and certain of their family members require pre-approval by our Chief Compliance Officer.

Specific, detailed procedures have been put into place by HSS to avoid and/or mitigate any potential conflicts of interest. More information is

available to clients in the HSS Code of Ethics and Policies & Procedures Manual. In this regard, purchases of real estate securities by access persons and their family members are generally prohibited, and all sales of real estate securities by access persons and their family members must be delayed until all applicable client sales are completed. HSS does not trade securities for its own account.

## *Item 12. Brokerage Practices*

HSS, as a matter of policy and practice, (i) does not have any formal or informal arrangements or commitments to utilize research, research-related products or other services obtained from broker-dealers or third parties on a soft dollar commission basis, (ii) does not encourage or solicit client referrals from broker-dealers, and (iii) does not currently accept advisory clients' instructions for directing a client's brokerage transactions to a particular broker-dealer, but will consider placing trades through a client's custodian subject to our satisfying our obligations to seek best price and execution.

In selecting or recommending broker dealers for client transactions, HSS periodically reviews and systematically evaluates the services provided by broker dealers, the quality and capability of executions, research coverage, commission rates, and overall brokerage relationships, and special knowledge of the real estate equity securities investments markets, among other things.

When an investment manager is responsible for both asset based fee accounts and performance based fee accounts, a conflict of interest can arise in allocating purchases and sales among the client accounts from the incentive to allocate the lowest purchase prices and the highest sales prices to the performance based fee accounts. Where HSS determines that two or more clients should participate in a specific purchase or sale of a security, it will generally rotate on a specific allocation basis. For purchases of securities, rotation will take into account the available cash balance in each client's account. For sales of securities, rotation will take into account the need for cash in each client's account. HSS may allocate on a non-rotational (e.g. pro rata, specific allocation or aggregation) basis where the circumstances justify such action. The aggregation of orders could affect the selection of the broker dealer to execute the aggregated order, which in turn, could affect the amount of brokerage commissions allocated to the client. HSS is currently implementing new trading software. HSS is currently implementing new trading software that, upon full implementation, will enable HSS to more efficiently allocate purchases and sales of securities, and evolve its allocation practice to primarily be, on a non-rotational (e.g. pro rata, specific allocation or aggregation) basis. Our target date for this changeover is on or about June 30, 2014.

### *Item 13. Review of Accounts*

All client accounts are reviewed on a regular basis, generally daily, against the related custodial reports to verify cash and securities positions. In some instances, reconciliation of our records to custodial reports is delayed because of timing differences in the custodian's recording of trades. For most client accounts, the choice of custodian is determined by the client. All client accounts are monitored intraday to maintain adherence to portfolio manager allocations. Formal portfolio meetings attended by senior staff occur approximately monthly or more frequently as dictated by market conditions.

Written reports are provided to ALRA Fund members on a monthly basis by HSS and NAV Consulting, Inc., the Fund administrator. These reports include some combination of: market recap, investment performance, benchmark performance, individual account balance, and top portfolio holdings information.

Written reports to separate account and sub-advisory clients are based on client preference, but are never less frequent than quarterly. These reports include some combination of: market recap, investment performance, benchmark performance, individual account balance, and top portfolio holdings information.

In addition, HSS investment management professionals are available to separate account and sub-advisory clients via telephone and email throughout the business day.

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

HSS does not receive any economic benefit from third parties in connection with the provision of investment advice or other advisory services to HSS clients.

### *Item 15. Custody*

HSS does not have custody of client funds or securities for separate and sub-advisory accounts.

As managing member of HSS ALRA, HSS is deemed to have custody of client funds and securities due to its ability to direct actions of the qualified custodian. Investors in HSS ALRA receive audited financial statements for HSS ALRA that comply with U.S. Generally Accepted Accounting Principles within 120 days following the Fund's fiscal year end. Investors should carefully review the annual audited financial statements for HSS ALRA.

## *Item 16. Investment Discretion*

We manage all client accounts on a discretionary basis. Clients may limit discretion by including investment objectives and restrictions in their respective investment management agreements. Common limitations may include choice of benchmark index, allowable weight of out-of-benchmark index securities, and types of out-of-benchmark securities.



## *Item 17. Voting Client Securities*

HSS, as a matter of policy and as a fiduciary to our clients, accepts responsibility for voting proxies for portfolio securities consistent with instructions and guidelines set forth in the applicable client's advisory agreement and otherwise what we believe to be the best economic interests of the clients. Our firm maintains written policies and procedures as to the handling, voting and reporting of proxy voting and makes appropriate disclosures about our firm's proxy policies and practices. Our policy and practice includes the responsibility to review and research proposals, receive and vote client proxies and disclose any potential conflicts of interest as well as making information available to clients about the voting of proxies for their portfolio securities and maintaining relevant and required records.

HSS, as a matter of practice, votes the securities held for the ALRA Fund, the Aston/Harrison Street Real Estate Fund, and for separate accounts. HSS will identify any conflicts that exist between the interests of the firm and those of the client or between the interests of the client and those of HSS by reviewing the relationship of the client and HSS with the issuer of each security to determine if any such person has any financial, business or personal relationship with the issuer. If a material conflict of interest is noted, we will determine whether it is appropriate to disclose the conflict to the client or investors, to give the client or investors an opportunity to vote the proxies themselves, or to address the voting issue through other objective means such as voting in a manner consistent with a predetermined voting policy or after receiving an independent third party voting recommendation

HSS, as a matter of practice, forwards recommendations for voting client securities to its sub-advisory clients other than Aston Asset Management, LP, who then vote the securities themselves. The same policies regarding conflicts of interest discussed above are applied to these recommendations.

Proxy voting policies and procedures and how proxies have been voted are available to clients and investors upon written request.

### *Item 18. Financial Information*

HSS does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

HSS does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance, and has not been the subject of a bankruptcy petition at any time during the past ten years.