



# Versus Capital Advisors LLC

## Registered Investment Advisor Brochure

Versus Capital Advisors LLC  
5555 DTC Parkway, Suite 330  
Greenwood Village, CO 80111  
[www.versuscapital.com](http://www.versuscapital.com)  
Phone (877) 343-7916  
Fax (888) 792-7401

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**This brochure provides information about the qualifications and business practices of Versus Capital Advisors LLC. If you have any questions about the contents of this brochure, please contact us at 1-877-343-7916 and/or [info@versuscapital.com](mailto:info@versuscapital.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. A “registered” investment advisor does not imply a certain level of skill or training. Additional information about Versus Capital Advisors LLC also is available on the SEC’s website at [www.Versuscapital.com](http://www.Versuscapital.com).**

## **Item 2 Material Changes**

Since the last updating amendment to Versus Capital Advisors, LLC Form ADV Part 2 brochure on March 31, 2017, we note the following material changes to this Brochure: - None

# VERSUS CAPITAL ADVISORS LLC

March 31, 2017

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## ADVISORY BUSINESS

### *Summary of Business*

Versus Capital Advisors LLC (“Versus Capital” or the “Company”), a Delaware limited liability company was originally established in March of 2007 to provide investment management services in the form of fund of funds management for clients and in particular certain private charitable trusts established as pooled income funds (“PIFs”) under Section 642(c)(5) of the Internal Revenue Code of 1986, as amended (the “Code”). The Company was initially registered under the Investment Advisers Act of 1940 (the “Advisers Act”) as an investment adviser within the state of Colorado as Welton Street Advisors LLC – IARD file number 143857. In 2011, the Company updated its registration after an ownership reorganization and name change to Versus Capital. Versus Capital registered with the Securities and Exchange Commission (the “SEC”) and sponsored Versus Capital Multi-Manager Real Estate Income Fund, LLC (“VCMIX”).

VCMIX is a Delaware limited liability company registered under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”), as a non-diversified, closed-end investment management company that is operated as an interval fund. VCMIX has registered up to \$2,000,000,000 of shares and will be continuously offered under the Securities Act of 1933, as amended (the “**Securities Act**”). In addition, Versus Capital registered up to \$1,250,000,000 of shares and will be continuously offered under the Securities Act of 1933, Versus Capital Real Assets Fund, LLC (“VCRRX”). VCRRX is a Delaware limited liability company and will be registered under the Investment Company Act, as a non-diversified, closed-end investment management company that will be operated as an interval fund.

VCMIX’s primary investment objective is to seek consistent current income, while VCMIX’s secondary objectives are capital preservation and long-term capital appreciation. VCMIX’s ability to achieve current income and/or long-term capital appreciation will be tempered by the investment objective of capital preservation. VCMIX attempts to achieve these objectives by allocating its capital among a select group of institutional asset managers with expertise in managing portfolios of real estate and real estate-related securities. Under normal market conditions, VCMIX will invest between 50% and 75% of its assets into investment funds (collectively, the “Investment Funds”) that invest in real estate through entities that qualify as real estate investment trusts for federal income tax purposes under the Code (“REITs”) and in debt investments secured by real estate. On an overall basis, approximately 90% of the Investment Fund assets will be held in REITs. Furthermore, the VCMIX will limit its exposure to debt investments secured by real estate and held in Investment Funds that do not qualify as REITs, to less than 10% of its total assets. Investment Funds typically accept investments on a continuous basis, have quarterly repurchases, and do not have a defined termination date. See “Investment Strategies of Investment Funds and Investment Managers” for additional information regarding guidelines applicable to the Investment Funds. Additionally, VCMIX will retain certain institutional asset managers (the “Investment Managers”) to sub-advise between 25% and 50% of VCMIX’s assets to be invested in domestic and international publicly traded real estate securities, such as common and preferred stock of publicly listed REITs, and publicly traded real estate debt securities (cumulatively referred to hereafter as the “Real Estate Securities” and together with the Investment Funds as “Real Estate-Related Investments”). Under normal market conditions, VCMIX will invest at least 80% of its assets in Real Estate-Related Investments. In certain extreme circumstances or market environments VCMIX may reduce its investment in Real Estate-Related Investments and hold a larger position in cash or cash equivalents and/or deviate from the allocations ranges to Investment Funds and Investment Managers described above.

VCRRX's investment objective is to achieve long-term Real Returns through current income and long-term capital appreciation with low correlation to the broader public equity and debt markets. "Real Returns" are defined as total returns adjusted for the effects of inflation. VCRRX will pursue this objective by investing substantially all of its assets in public and private investments of certain real asset strategies including global infrastructure, timberland and agriculture/farmland ("Real Asset Related Investments"). VCRRX will invest in a select group of institutional investment funds exclusively focused on Real Asset Related Investments, as well as domestic and international public and private securities such as common equities, preferred shares and debt investments associated with real assets (including secured debt and mezzanine financing). The majority of these institutional funds accept investments on a continuous basis with quarterly or semi-annual repurchases. Such institutional continuously offer funds will have perpetual lives. To a limited extent (limitation discussed below), VCRRX may invest in certain closed end institutional real asset funds that have a targeted capital raises, investment lock-up periods and an expected fund lives or terms (collectively with the closed-end and continuously offered institutional closed end funds to be defined as the "VCRRX Institutional Investment Funds"). VCRRX may invest indirectly in properties located outside of the United States, including in any one non-U.S. country, which in the aggregate shall not exceed 50% of the Fund's total assets. VCRRX may invest, either directly or indirectly, in the securities of non-U.S. issuers, including the securities of issuers located in any one non-U.S. country, which in the aggregate shall not exceed 50% of VCRRX's total assets. This will allow VCRRX to invest with a diverse group of managers across differing investment strategies, geographies and real asset classes. VCRRX may also invest in a wholly-owned and controlled subsidiary (the "Subsidiary") that will make direct co-investments into timberland and agriculture/farmland assets. VCRRX will maintain voting control of the Subsidiary. The Subsidiary will be a real estate investment trust ("Sub-REIT") and the Fund will consolidate the Subsidiary for purposes of financial statements, leverage and concentration. Any leverage used at the Subsidiary level will be aggregated with the Fund's leverage for purposes of complying with Section 18 of the Investment Company Act. The total investment by VCRRX in the Subsidiary, together with the Fund's investments in the closed end Institutional Investment Funds that have a targeted capital raise and an expected life term, shall not exceed 25% of VCRRX's total assets. Additionally, VCRRX will at no time invest more than 5% of its assets in securities that are either rated, or which have credit characteristics substantially the same as those rated below investment grade, also known as "junk."

The Company manages several Public Income Funds (PIFs) on behalf of a client with cumulative assets totaling approximately \$1.6 million. The PIFs employ several different investment strategies, however, each is managed by Versus Capital employing a fund of funds approach. The fund of funds approach for the PIFs targets public investment companies, with investment managers that have substantive historical track records within the investment strategy such PIF employs.

In each instance, Versus Capital is engaged by its client via an investment management agreement and such agreement is typically reviewed and approved by a board of directors with an independent majority that has oversight responsibility for such client. In all instances Versus Capital is provided discretion over investments, within the investment strategy approved by the client's independent board of directors. The investment strategies employed by Versus Capital for its clients typically are focused on income oriented investment objectives with a secondary focus on capital preservation and appreciation. As noted, above Versus Capital seeks to achieve these objectives through a fund of funds management approach.

On this discretionary basis, Versus Capital shall invest and reinvest the assets of the client's account in such stocks, bonds, mutual funds or other private investments of any kind as it deems in the best interest of the client to achieve the investment objective designated by the client. Versus Capital has the authority to determine without consultation with its client on a transaction-by-transaction basis, the investments to

be bought or sold, and the amount of investments to be bought or sold, subject to and in accordance with the investment objective and investment restrictions of the client. Versus Capital manages both accounts in which Versus Capital is given authority by the client to select brokers and negotiate commissions, and accounts in which the client designates the broker-dealer and registered representative to which brokerage should be directed.

Most investment management agreements have either a one or two-year initial term and are renewable annually for successive one year terms upon the approval of each client's board of directors, including a separate vote of a majority of the independent directors of the board. These agreements typically may be terminated on sixty (60) days written notice. In connection with each annual approval, the board of directors, including the independent directors, reviews the terms of the agreements, including fees payable and the services provided by Versus Capital.

### ***Ownership***

Versus Capital is a wholly owned subsidiary of Versus Capital Group, LLC. Darren M. Fisk, Mark D. Quam, William R Fuhs and Casey R. Frazier indirectly own a majority of Versus Capital Group, LLC. The remaining equity is shared between a number of other individual investors and employees, none of which holds an interest of 10% or more.

### **FEES AND COMPENSATION**

In each instance, Versus Capital is engaged by a client pursuant to an investment management agreement which is typically reviewed and approved by each client's board of directors, the majority of which are independent, with oversight responsibility for such client. Each investment management agreement provides for the compensation of Versus Capital in the form of investment management fees that are charged at an annual rate on the underlying net asset values of such fund's assets. In addition to such investment management fees, Versus Capital is reimbursed for certain expenses associated with the management, administration and marketing of each fund. Payment of the fees is made by the qualified custodian, as that term is defined below, holding the client's funds and securities.

### ***Investment Management Fees***

The fees for such services are charged at an annual rate as a percentage of the aggregate assets of such fund. Currently the rate applied ranges between an annual rate of 0.55% up to 1.15% dependent upon the client's needs, regulatory requirements and the investment strategy of the client and the responsibilities of the Company under the agreement. In most instances, the fees are deducted from the client's account and are subject to final negotiation of the terms of an agreement. In most instances, the fees are paid quarterly in arrears and either accrue daily or monthly dependent upon the periodicity of valuation for the underlying client assets.

Neither Versus Capital, nor any of its supervised persons receive any commissions for sales of equity. The Company is not compensated on a performance basis and does not share in the profitability or the performance of its clients' assets.

## ***Expenses***

Clients are responsible for additional fees and services contracted on their behalf, including, but not limited to the following:

- all costs and expenses related to portfolio transactions and positions for a fund's account, including, but not limited to, brokerage commissions, research fees, interest and commitment fees on loans and debit balances, custodial fees, shareholder servicing fees, margin fees, transfer taxes and premiums and taxes withheld on foreign dividends, and expenses from investments in Investment Funds;
- all costs and expenses associated with the organization of a fund, and all costs and expenses associated with operation and registration of a fund, offering costs and the costs of compliance with any applicable Federal or state laws;
- the costs and expenses of holding any meetings of a fund's board of directors that are regularly scheduled, permitted or required to be held under the terms of the LLC Agreement, the Investment Company Act or other applicable law;
- fees and disbursements of any attorneys, accountants, auditors and other consultants and professionals engaged on behalf of a fund;
- the costs of a fidelity bond and any liability or other insurance, including director and officer insurance, obtained on behalf of a fund, the Company, BNY Mellon or a board of directors;
- all costs and expenses associated with the selection of Investment Managers and investment in Investment Funds, including due diligence and travel-related expenses;
- all costs and expenses of preparing, setting in type, printing and distributing reports and other communications to shareholders;
- all expenses of computing a fund's NAV, including any equipment or services obtained for the purpose of valuing a fund's investment portfolio, including appraisal and valuation services provided by third parties;
- all charges for equipment or services used for communications between a fund and any custodian, or other agent engaged by a fund;
- the fees of BNY Mellon, if any, and of custodians and other persons providing administrative services to a fund;
- gross expenses; and
- such other types of expenses as may be approved from time to time by the Board.

The Company may cover a portion of such expense on behalf of a client, including certain organizational and offering expenses, for which the Company may be reimbursed by the client over time.

## **PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As previously noted, neither Versus Capital, nor any of its supervised persons, accept any performance based fees, and as such, are not conflicted by differing fee structures in the performance of their duties as investment advisor. However, Versus Capital is actively engaged in transactions and in rendering discretionary investment advice on behalf of multiple clients at the same time, which may or may not involve the same investments. Versus Capital manages the assets of and/or provides advice to registered investment companies and private investment funds (collectively, "Adviser Clients"). Each Adviser Client has no interest in the activities of the other Adviser Clients. In addition, subject to the restrictions of the Investment Company Act, Versus Capital and its supervised persons, may invest for their own accounts in various investment opportunities, including in Investment Funds, private investment companies or other investment vehicles in which an Adviser Client will have no interest.

Versus Capital may give advice or take action with respect to any of its other clients which may differ from the advice given or the timing or nature of any action taken with respect to investments of a different Adviser Client. It is the policy of Versus Capital, to the extent possible, to allocate investment opportunities amongst its Adviser Clients on a fair and equitable basis, over a period of time, relative to other Adviser Clients. Versus Capital's investment decisions for its Adviser Clients are made independently. Versus Capital has no obligation to invest on behalf of a certain Adviser Client, in an investment selected on behalf of the account of other clients if, in its opinion, such investment appears to be unsuitable, impractical or undesirable for the such Adviser Client. In other cases, such Adviser Client may invest in a manner opposite to that of other clients.

Versus Capital may determine that an investment opportunity in a particular investment vehicle is appropriate for a particular Adviser Client or for their selves or their officers, directors, partners, members or employees, but not for one of its other Adviser Clients. Situations may arise in which Versus Capital and its Adviser Clients have made investments which would have been suitable for investment by a certain other Adviser Client but, for various reasons, were not pursued by, or available to, such other Adviser Client.

If Versus Capital desires to have multiple Adviser Clients invest in the same investment opportunity, the available investment will be allocated equitably. Decisions in this regard are necessarily subjective and there is no requirement that any single Adviser Client participate, or participate to the same extent as another Adviser Client in all investments. If a certain Advisor Client does not get to participate in an investment opportunity that has limited space, a rotation will be established between the Advisor Clients, such that over time, they are all being treated equitably. At times, Versus Capital may determine that Adviser Clients should take differing positions with respect to a particular investment based upon such Advisor Client's investment strategy. In these cases, Versus Capital may place separate transactions for one or more Adviser Clients which may affect the market price of the investment vehicle, the execution of the transaction or the amount each will be able to invest, to the detriment or benefit of one or more Adviser Clients. Placing transactions on behalf of Adviser Clients that are directly or indirectly contrary to investment decisions made for another can have the potential to adversely impact an Adviser Client, depending on market conditions. Versus Capital will at all times seek to minimize the potential for any negative impact to an Adviser Client while attempting to maximize the benefits to all. Versus Capital's Investment Committee will analyze and review on a regular basis any conflicting activity to assure that over the long-term that all Advisor Clients are treated equally.

Versus Capital may have investments or other business relationships with certain other investment managers, lenders, counterparties, shareholders or financial advisers to an investment manager, which could be more valuable than the Company's relationship to an Adviser Client. Accordingly, Versus Capital may face a conflict in evaluating such portfolio investments and investment managers. It is the intent of Versus Capital to put the priorities of the Advisor Clients ahead of those of the Company and/or its business relationships.

Versus Capital may be engaged in substantial activities other than on behalf of the Adviser Clients and may have conflicts of interest in allocating its time and activity among the Adviser Clients. Versus Capital and its supervised employees, will devote so much of their time to the affairs of an Adviser Client as in their judgment is necessary and appropriate to meet the needs of such Advisor Client.

The performance of the Versus Capital and its Adviser Client's investments are reviewed on a regular basis (no less than semi-annually) by the independent members of the Adviser Client's board. During such performance overview, the Adviser Client will review and discuss Versus Capital's



management of conflicts and the allocation of investment opportunities. All such investment management arrangements agreements are subject to termination at the discretion of the Adviser Client.

The proprietary activities or portfolio strategies of Versus Capital, and the activities or strategies used for accounts managed by Versus Capital for themselves or Adviser Clients, could conflict with the transactions and strategies employed by a selected investment manager and affect the prices and availability of the securities and instruments in which the investment manager invests. Issuers of securities held by an Adviser Client may have publicly or privately traded securities in which Versus Capital or other Adviser Clients are investors or make a market. The trading activities of Versus Capital generally are carried out without reference to positions held directly or indirectly by an Adviser Client and may have an effect on the value of the positions so held, or may result in Versus Capital or other Adviser Clients having positions adverse to the positions of such Adviser Client.

As a fund of funds manager, Versus Capital acknowledges that conflicts of interest may arise from the fact that a selected investment manager or investment fund and their affiliates generally will be carrying on substantial investment activities for other clients, including other investment funds, in which Adviser Clients may have no interest. The selected investment managers may have financial incentives to favor certain of such accounts over an Adviser Client's selected investment funds. Any of an investment managers proprietary accounts and other customer accounts may compete with an Adviser Client for specific trades, or may hold positions opposite to positions maintained on behalf of an Adviser Client. A selected investment manager may give advice and recommend securities to, or buy or sell securities for, a selected investment fund or other managed account in which an Adviser Client's assets are invested, which advice or securities may differ from advice given to, or securities recommended or bought or sold for, other accounts and customers even though their investment objectives may be the same as, or similar to, those of the Adviser Client.

## **TYPES OF CLIENTS**

Versus Capital generally provides investment advice to public and private funds that may take the form of an investment company, trust, estate or other corporate or fund structure as deemed appropriate by the client or sponsor. Versus Capital has no minimum requirement for opening or maintaining an account, but reserves the right to accept or deny any request for services.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### ***Methods of Analysis***

Versus Capital provides discretionary management on a continuous basis. Subject to a grant of discretionary authority, the Company shall invest and reinvest the securities, cash or other property held in the client's account in accordance with the client's stated investment objectives as identified by the client during initial interviews and information gathering sessions. Versus Capital is granted discretion pursuant to authorization provided in the executed investment management agreement for services, which is maintained in the relevant client file. Portfolio management services will not be rendered prior to the client entering into a written agreement for services, which shall be maintained in the requisite client file.

Versus Capital ensures that client accounts are managed according to the investment objectives of each client. The Company employs a team of qualified professionals which attempts to construct portfolios

that meet the objectives of each client. Depending upon the target investment strategy and the type of portfolio investments purchased on behalf of a client (public securities, private securities, debt, equity, etc), Versus Capital may deploy differing approaches to the investment analysis, research and selection criteria. Typically, the first step is strategy definition, investment identification and portfolio construction. The next step is to identify the investment vehicle to fulfill the desired portfolio construction based on quantitative and qualitative reviews. All decisions are made by the firm's Investment Committee.

Research is conducted internally and in certain instances in conjunction with a sub-adviser contracted to provide certain due diligence and advisory services. Versus Capital utilizes information obtained from a wide variety of sources, and all professional staff members actively participate in the Company's research effort. Increasingly, the internet and new databases provide ideas and information to enhance the Company's research. The priority is for portfolio managers to build up their knowledge and insights on an industry or company, and to exploit the vast wealth of information that is increasingly available.

Versus Capital is responsible for supervising any sub-adviser engaged by the Company. This will be accomplished by doing the following:

1. Having the sub-adviser provide the Company with annual certifications of compliance with the sub-adviser's policies and procedures governing the sub-adviser's responsibilities and with the federal securities laws;
2. Conducting periodic meetings with compliance personnel of the sub-adviser;
3. Requiring the sub-adviser to provide notice of regulatory examinations and provide copies of any exam reports; then, implement procedures for follow-up on any findings contained in the reports; and
4. Periodically reassess supervisory procedures applicable to the sub-adviser in light of:
  - a. Changes in a sub-adviser's investment strategy or portfolio manager;
  - b. Significant changes in the sub-adviser's business;
  - c. Dramatic changes in market conditions; or
  - d. Any other event likely to have a significant effect on the sub-adviser's operations.

In addition to quantitative and qualitative analysis, including manager interviews, request for information and peer reviews, Versus Capital may also deploy fundamental and cyclical analysis within its investment selection methodology. The main sources of information applicants will use include: financial newspapers and magazines; research materials prepared by others; annual reports; prospectuses; and filings with the Securities and Exchange Commission. Versus Capital's quantitative and qualitative methods of analysis may include manager interviews, historical performance analysis through data received via request for information, peer reviews and investor reviews. Long term and short term purchases are used as strategies to implement any investment advice given to clients.

### ***Investment Strategies and Risks of Loss***

As noted above, Versus Capital focuses its investment advisory services on fund of funds or multi-manager investment products. Using the Company's method of analysis, Versus Capital tries to identify investment managers and investment funds that we believe may perform well over time given historical performance data as well as evaluation of management consistency and portfolio management staffing

among other factors. Identifying the appropriate investment strategies, investment managers and suitable investment funds is difficult and involves a high degree of uncertainty, as historical performance is not a good indicator of future performance. The success of a client's account depends in large part upon the ability of Versus Capital to choose successful investment managers and upon the ability of Versus Capital and the investment managers to develop and implement investment strategies that achieve the client's investment objectives. Although the Company, sometimes with the assistance of a sub-adviser, expects to monitor the investment managers to which a client's investments are allocated, it is possible that a number of the investment managers might take substantial positions in the same instruments or markets at the same time, thereby interfering with a client's investment diversification and/or goal.

Furthermore, investment managers have varying levels of experience – some may be newly organized and have no, or limited, operating histories. Although Versus Capital may seek to receive detailed information from each investment manager regarding its historical performance and investment strategy, in many cases the investments will be private and the Company has little or no means of independently verifying any such information. In addition, market conditions and investment approaches are continually changing, and a particular investment manager's past successful performance may be largely irrelevant to such investment manager's prospects for future profitability. A client's investment portfolio should be evaluated on the basis that there can be no assurance that Versus Capital's assessments of potential investment managers, and, in turn, their assessments of the short-term or long-term prospects of investments, will prove accurate or that the client will achieve its investment objective.

A client may seek to disperse its assets by allocating such assets among various investment managers. Such dispersion may not be achieved as a result of insufficient investment opportunities or insufficient investable assets as a result of insufficient subscriptions or withdrawals by shareholders. In addition, although the dispersion of a client's investments in a variety of securities and industries is intended to reduce the client's exposure to adverse events associated with specific issuers or industries, the number of investments by investment funds may be limited, and the portfolios of some investment funds may be highly concentrated in particular assets or issuers. As a consequence, the client's returns as a whole may be adversely affected by the unfavorable performance of even a single investment by an investment fund.

In most instances, a selected investment manager may have exclusive responsibility for making decisions on behalf of a client's account. The investment manager may also manage other accounts (including funds and accounts in which the same investment manager may have ownership interests) which, together with accounts already managed by such investment manager, could compete for the same investments an investment manager might otherwise make on behalf of a client's account. See above "Performance Based Fees and Side-by-Side Management."

Investment managers are subject to various risks, including, but not limited to, operational risks such as the ability to provide an adequate operating environment for an investment fund, including back office functions, property management, accounting, administration, risk management, valuation services and reporting. Investment managers may also face competition from other investment funds which may be more established and have larger capital bases and have larger numbers of qualified management and technical personnel. Additionally, certain investment managers may pursue over time different investment strategies which may limit the client's ability to assess an investment manager's ability to achieve its long-term investment objective. Furthermore, an investment manager may face additional risks as the assets of an investment fund increase over time. In such instances, an investment manager may be unable to manage an investment fund's increased assets effectively because it may be unable to maintain the investment fund's current investment strategy or find the types of investments better suited for an investment fund with an increased capital basis.

Certain private investment funds may only be available at certain times pursuant to limitations set forth in the governing agreements of such investment funds, the client from time to time may have to hold some, or in certain cases a substantial amount, of its assets temporarily in money market securities, cash or cash equivalents, possibly for several months.

### **DISCIPLINARY INFORMATION**

There are no material disclosures, regarding legal or disciplinary events, for Versus Capital or its personnel.

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

The principals or management persons of Versus Capital have no other financial industry activities or affiliations.

### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

#### ***Code of Ethics***

Versus Capital intends to maintain a reputation for conducting its business activities in the highest ethical and professional manner. Such a reputation for integrity is considered an important asset and instrumental in the long-term success of its business. Each employee, officer and director - whatever his or her position - is responsible for upholding high ethical and professional standards. This includes a commitment to conducting their business in accordance with applicable laws, rules and regulations and the highest standards of business ethics, and to providing full and accurate financial disclosure in compliance with applicable law. As such, Versus Capital, and their supervised persons must not act or behave in any manner or engage in any activity that (1) creates even the suspicion or appearance of the misuse of material, nonpublic information by Versus Capital, VCMIX, VCRRX or any supervised person, (2) gives rise to, or appears to give rise to, any breach of fiduciary duty owed to any client or investor, or (3) creates any actual or potential conflict of interest, or even the appearance of a conflict of interest, between any client or investor, on the one hand, and Versus Capital or any supervised person, on the other hand.

The general fiduciary principles that govern the personal trading activities of a supervised person are as follows:

- a) the duty at all times to place the interests of clients first;
- b) the requirement that all personal securities transactions be conducted in a manner that does not interfere with clients' portfolio transactions (as applicable) so as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility;
- c) the prevention of any improper use of material non-public information about securities recommendations made by Versus Capital or securities holdings of clients; and
- d) the fundamental standard that supervised persons should not take inappropriate or unfair advantage of their relationship with clients.

## Requirements of the Code of Ethics:

1. **Duty to Comply with Applicable Laws.**  
All supervised persons are required to comply with the Federal Securities Laws, including Rules 204A-1 and 204-2 under the Investment Advisers Act of 1940, as amended, as part of the fiduciary duty owed by Versus Capital to its clients, and the Code of Ethics.
2. **Duty to Report Violations.**  
Each supervised person is required by law to promptly notify the Chief Compliance Officer (“CCO”) in the event such supervised person knows or has reason to believe that such supervised person or any other supervised person has violated any provision of the Code of Ethics. (If a supervised person knows or has reason to believe that the CCO has violated any provision of the Code of Ethics, such supervised person must promptly notify the Chief Investment Officer and is not required to so notify the CCO).

Versus Capital is committed to fostering a culture of compliance. Versus Capital therefore urges its supervised persons to contact the CCO if he or she believes that he or she has any reason to do so. Supervised persons will not be penalized and his or her status at Versus Capital will not be jeopardized by communicating with the CCO. Reports of violations or suspected violations also may be submitted anonymously to the CCO. Any retaliatory action taken against any person who reports a violation or a suspected violation of the Code of Ethics is itself a violation of the Code of Ethics and cause for appropriate corrective action, including dismissal.

3. **Duty to Provide Copy of the Code of Ethics and Related Certification.** Versus Capital shall provide all supervised persons with a copy of the Code of Ethics and all subsequent amendments hereto. By law, all supervised persons must in turn provide written acknowledgement to the CCO of their initial receipt and review of the Code of Ethics, their annual review of the Code of Ethics and their receipt and review of any subsequent amendments to the Code of Ethics.

**Privacy Notice.** Versus Capital appreciates the privacy concerns and expectations of our customers. We are committed to maintaining a high level of privacy and confidentiality when it comes to your personal information and we use that information only where permitted by law. This privacy policy contains information about how we fulfill this commitment to you. In compliance with government regulations, we provide this notice annually.

We value the trust of our customers and will continue to recognize the importance of holding your personal financial information as confidential.

We will use information responsibly in order to protect you from fraud, offer you improved products and services, and comply with legal obligations.

We will maintain accurate customer information and respond promptly to customer requests to correct information.

We will require companies with which we do business to use our customer information appropriately and to safeguard the confidentiality of such information.

**Collection of Information.** We and our agents may collect non-public personal information about you from the following sources:

- Information that we receive from you personally on applications, forms, or other correspondence, such as, but not limited, to your name, address, phone number, social security number, and e-mail address.
- Information about your transactions with us, such as your account holdings and transaction history.

**Disclosure of Information.** Versus Capital and its agents do not disclose any Information about our customers or former customers to third parties except to the extent necessary to service your account, as permitted by law. If you decide to close your account(s), we will continue to adhere to the privacy policies and practices provided in this notice. We have safeguards in place to protect the confidentiality, security and integrity of your non-public personal information. We restrict access to non-public personal information to those who need to know that information in order to service your account. We maintain physical, electronic and procedural safeguards that comply with government requirements to guard non-public personal information.

We pledge to follow the policies, safeguards and guidelines as described in this notice, and to protect the confidentiality of our client's information. Client relationships are very important to us, and we will take great care to honor these commitments.

For more information a receipt of copies of Versus Capital's Code of Ethics and privacy policies, please call (877) 343-7916.

#### ***Client Transactions***

Neither Versus Capital nor any supervised or related persons shall participate in any principal, agency cross transactions or agency cross trades with a client.

#### ***Personal Trading***

No supervised or related person shall engage in a transaction in a security that is also the subject of a transaction by an Adviser Client if such transaction would disadvantage or appear to disadvantage the Adviser Client or if such person would profit from or appear to profit from such transaction, whether or not at the expense of the Adviser Client. Pre-clearance and verification procedures are in place and shall govern all transactions in securities in which a supervised or related person has or seeks to obtain and which are subject to pre-clearance by the CCO. Pre-Clearance is required for all securities held by an Adviser Clients or identified as a potential investment for and Adviser Client.

The defining nature of Access Person (as utilized in the Policy) would make all of the independent board members Access Persons with regard to the purchase or sale of the Investment Funds, as they are involved in the approval of all Fund's investments as part of the Investment Committee. As such, and in accordance with Rule 17j-1(e), the following transactions must be pre-cleared by the Compliance Officer:

- all purchases of Initial Public Offerings (“IPOs”);
- all purchases and sales of “limited offerings” (which includes, but is not limited to, proposed transactions in the Investment Funds); and
- all purchases and sales of Real Estate Securities

- such other classes of transactions or specific transactions as may be specified from time to time by the Compliance Officer based upon a determination that the transactions may violate Rule 204A-1 under the Advisers Act.
- Pre-trade Notice of all publicly traded real estate securities trades (defined as securities of publicly traded REITs, as well as publicly traded mortgage or mortgaged-backed securities including CMBs and other packaged real estate debt products) in order to monitor on an ongoing basis to assure we avoid even the appearance of a conflict. This will be required to assure we avoid not only the appearance of a conflict, but to have a basis to assure the sufficiency of our policy going forward.

All purchases and sales of **non**-real estate related securities that are not IPOs or limited offerings are specifically **excluded** from being pre-cleared by the CCO

Additionally, the disposition of a reportable security will require the dual approval of the CCO and a member of the Versus Capital Investment Committee.

All supervised or related persons shall provide the CCO with monthly account statements showing all securities holdings, transactions and accounts. Such account statements shall be reviewed for verification of compliance with the trading policies of the Company.

### **BROKERAGE PRACTICE**

For accounts for which Versus Capital is given authority to select brokers and negotiate commission rates, Versus Capital's policy in selecting brokers is to seek best execution. In determining best execution, Versus Capital will consider research and brokerage services provided by the firm in addition to price and other factors. This may involve paying a commission to a broker, dealer or exchange member on a transaction that exceeds the commission that Versus Capital might have obtained if the transaction had been executed through another broker, dealer or exchange member if it is determined by Versus Capital in good faith that the amount of commission is reasonable in relation to the value of research and brokerage services provided by such broker, dealer or exchange member. Such research must provide lawful and appropriate assistance to Versus Capital in carrying out its investment decision-making responsibilities. Examples of such research products and services include advice, both directly and in writing, as to the value of the securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities, as well as furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts.

Brokerage services, for this purpose, include effecting securities transactions and, between the time the order is transmitted and the securities are delivered or credited to the applicable client account, performing functions incidental to the transaction (such as clearance, settlement, and custody) or required in connection therewith by rules of the Securities and Exchange Commission ("SEC") or applicable self-regulatory organizations and in accordance with relevant SEC guidance. In selecting dealers and in negotiating commissions, in addition to price and brokerage and research products and services provided, Versus Capital considers among other factors the firm's reliability, the quality of its execution services on a continuing basis and its financial condition.

Versus Capital believes that most research obtained by it generally benefits several or all of the relevant categories of accounts which it manages, as opposed to solely benefiting one account. Normally research services obtained through transactions in common stock could primarily benefit those accounts

managed by Versus Capital which invest in common stocks; similarly, services obtained from transactions in fixed income securities would be of greater benefit to the accounts which invest in debt securities.

Versus Capital's policy is to receive research only with respect to accounts for which it exercises brokerage discretion. The SEC has adopted interpretations relating to paying more than the lowest commission rate for transactions where research is received. The interpretations require, among other things, that any such research "reflect the expression of reasoning or knowledge." Versus Capital believes that the research products and services it expects to receive will comply with these interpretations and Versus Capital will continue to monitor its policies in this area to maintain such compliance or simply seek the lowest commission rate alternative.

Transactions for client-directed brokerage accounts are most often effected net, without commission; but the client may choose to have his transactions effected with a commission charged per transaction at a schedule that he or she may negotiate with his brokerage firm. Because Versus Capital is required to execute transactions only with the broker-dealer selected by the client, Versus Capital will not be free to seek best price and execution by placing transactions with other brokers and dealers, and may not be able to obtain discounted rates for the client by combining his transactions with those of other clients for trading as a block; therefore, these clients may not necessarily obtain commission rates as favorable as other Versus Capital clients.

The Company may also provide services to clients of broker-dealers or financial consultants where the client enters into an investment management agreement directly with Versus Capital for the management of certain of the client's assets. A separate agreement will be entered with the broker-dealer for custodial, portfolio monitoring and evaluations services. In accordance with its fiduciary duty, any services provided shall be for the benefit of the Adviser Client and its investment objective and Versus Capital shall seek, in good faith, to assure that all expenses associated with such services are reasonable relative to the value provided the Adviser Client.

## **REVIEW OF ACCOUNTS**

Versus Capital's Investment Committee, with the support of the investment team, ratifies all investment strategy and portfolio decisions. The Investment Committee is comprised of the senior executives of the Adviser. The Investment Committee meets monthly or more often if needed to discuss investment strategy, the outlook of the portfolios, and individual investment issues for securities held in a portfolio. Additionally, the independent board members of Versus Capital's clients may review all strategies and portfolio performance quarterly and more often if required. The Chief Investment Officer reviews all portfolios at least monthly to assure product compliance with strategies and policies. The Investment Committee meets to review portfolio models and holdings to assure compliance with product policies and strategies. The nature and frequency of reports to clients are determined by the particular need of the client's and may vary between monthly and quarterly. Clients are either issued monthly or quarterly reports including valuations, statements from the custodians detailing all account activity and in some instances performance reports.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

Currently there are no existing client referral or other compensation arrangements between Versus Capital and any related or unrelated parties.



## CUSTODY

**Responsibility.** Versus Capital does not hold, directly or indirectly, client funds or securities, or have the authority to obtain possession of them. In most instances the Company will assist a client in the establishment of custodial and/or transfer agency services with appropriate third party service providers.

**Receipt of Third Party Funds.** If the Company receives a check from an investor payable to the client or a third party custodian, the Company will confirm that the check is made payable to the appropriate party, e.g., the custodian, and then make a photocopy of the check, issue a receipt to the client and then forward the check directly to the third party custodian. A copy of the check, the receipt, and the transmittal form will be kept in a master custody file.

**Account Statements.** The Company will arrange for the client's qualified custodian to send monthly or quarterly account statements to investors containing at least the information required by the applicable SEC rules directly. In certain instances account statement shall be provided by an investor's broker-dealer, registered investment advisor or bank. Versus Capital shall assist the client with the review and oversight of any such custodian or transfer agent for the accuracy and completeness of any such account statements.

## INVESTMENT DISCRETION

Versus Capital provides discretionary management on a continuous basis. Subject to a grant of discretionary authority, the Company shall invest and reinvest the securities, cash or other property held in the client's account in accordance with the client's stated investment objectives as identified by a client during initial interviews and information gathering sessions. Versus Capital is granted discretion pursuant to authorization provided in the executed investment management agreement for services, which is maintained in the relevant client file. Portfolio management services will not be rendered prior to the client entering into a written agreement for services, which shall be maintained in the requisite client file.

In each instance, Versus Capital is engaged by its client via an investment management agreement and such agreement is typically reviewed and approved by an independent board of directors with oversight responsibility for such client. In most instances Versus Capital is provided discretion over investments, within the investment strategy approved by the client's independent board of directors. The investment strategies employed by Versus Capital for its clients, typically are focused on income oriented investment objectives with a secondary focus on capital preservation and appreciation. As noted, above Versus Capital seeks to achieve these objectives through a fund of funds management approach.

## VOTING CLIENT SECURITIES

Versus Capital will vote on a matter in a way that it believes is in the best interest of its clients and in accordance with the following proxy voting guidelines (the "Voting Guidelines"):

- In voting proxies, Versus Capital is guided by general fiduciary principles. Versus Capital's goal is to act prudently, solely in the best interest of its clients.
- Versus Capital attempts to consider all factors of its vote that could affect the value of the investment and will vote proxies in the manner that it believes will be consistent with efforts to maximize shareholder values.
- Versus Capital, absent a particular reason to the contrary, generally will vote with management's recommendations on routine matters. Other matters will be voted on a case-by-case basis.

- Versus Capital, when engaging a sub-advisor or investing with another manager or investment fund, will require such sub-advisor or manager to act prudently and in the best interest of our clients, but may allow proxy voting responsibility to fall on the sub-advisor or manager.

Versus Capital applies its Voting Guidelines in a manner designed to identify and address material conflicts that may arise between Versus Capital's interests and those of its clients before voting proxies on behalf of such clients. Versus Capital relies on the following to seek to identify conflicts of interest with respect to proxy voting and assess their materiality:

- Versus Capital's employees are under an obligation (i) to be aware of the potential for conflicts of interest on the part of Versus Capital with respect to voting proxies on behalf of client accounts both as a result of an employee's personal relationships and due to special circumstances that may arise during the conduct of the Versus Capital's business, and (ii) to bring conflicts of interest of which they become aware to the attention of certain designated persons.
- Such designated persons work with appropriate personnel of Versus Capital to determine whether an identified conflict of interest is material. A conflict of interest will be considered material to the extent that it is determined that such conflict has the potential to influence Versus Capital's decision-making in voting the proxy. All materiality determinations will be based on an assessment of the particular facts and circumstances. Versus Capital shall maintain a written record of all materiality determinations.
- If it is determined that a conflict of interest is not material, Versus Capital may vote proxies notwithstanding the existence of the conflict.
- If it is determined that a conflict of interest is material, Versus Capital may seek legal assistance from appropriate counsel for Versus Capital to determine a method to resolve such conflict of interest before voting proxies affected by the conflict of interest. Such methods may include:
  - disclosing the conflict to a client's Board and obtaining the consent from a client's Board before voting;
  - engaging another party on behalf of a client to vote the proxy on its behalf;
  - engaging a third-party to recommend a vote with respect to the proxy based on application of the policies set forth herein; or
  - such other method as is deemed appropriate under the circumstances given the nature of the conflict.

Versus Capital shall maintain a written record of the method used to resolve a material conflict of interest. Information regarding how Versus voted client's proxies related to portfolio holdings during the most recent 12-month period ended June 30th is available without charge, upon request, by calling 877-3437916.

## **FINANCIAL INFORMATION**

The Company does not take custody, directly or indirectly, of client funds or securities, and does not require prepayments, therefore a balance sheet is not required.

## PRINCIPALS

**MARK QUAM, AGE: 45**

**CHIEF EXECUTIVE OFFICER**

Mark Quam is a sixteen-year veteran of the real estate investment and securities business. He joined the Adviser as the Chief Executive Officer in 2010. Previously, Mr. Quam was the President, Chief Executive Officer and Founder of Welton Street Investments, LLC and Welton Street Holdings LLC (“Welton Street”) from 2005 to 2010. Prior to Welton Street, Mr. Quam, as a partner and senior executive, conceptualized and co-founded both Dividend Capital Trust and Dividend Capital Securities LLC, a private real estate trust and its affiliated distributor, respectively. From 1998 to 2002, Mr. Quam founded and was Chief Executive Officer, for EquityCity.com. Prior to establishing EquityCity.com, Mr. Quam was active in real estate development as a Director of Construction and Project Management for CB Richard Ellis. Mr. Quam holds an undergraduate degree in finance from the University of Arizona and attended the Masters Program in real estate finance and construction at the University of Denver. Mr. Quam was a member of the Financial Industry Regulatory Authority’s (“FINRA”) National Corporate Finance Committee from 2007 to 2012.

**WILLIAM R. FUHS, AGE: 47**

**PRESIDENT**

William R. Fuhs, Jr. joined the Adviser as Chief Financial Officer and President in 2010. In 2006, Mr. Fuhs partnered with Mr. Quam as the Chief Financial and Operating Officer of Welton Street Holdings from 2006 to 2010, where he was responsible for product development, finance, administration and operations. Prior to Welton Street, Mr. Fuhs held several senior product development and finance positions with the Dividend Capital companies from 2003 to 2005. Mr. Fuhs’ prior professional experience, from 1992 to 2003, included various positions within the investment banking division of Merrill Lynch. During his eleven years at Merrill Lynch, Mr. Fuhs was involved in numerous aspects of the business including equity and debt underwriting, asset based financing (including real estate) and mergers and acquisitions. Mr. Fuhs has a Bachelor of Arts degree in Economics from Middlebury College. Mr. Fuhs serves as Chairman of the Board for the Fund. Mr. Fuhs brings to the Board extensive experience in the financial industry.

**Casey R. Frazier, CFA, AGE: 38**

**CHIEF INVESTMENT OFFICER**

Casey Frazier joined the Adviser as the Chief Investment Officer in 2011. Previously, Mr. Frazier was a Senior Vice President of NRF Capital Markets LLC from 2010 to 2011, where he was responsible for product development and due diligence for the firm including helping to develop products to be sold in the retail broker-dealer channel, managing the due diligence process for existing products and overseeing the marketing efforts of the firm. Mr. Frazier was the Chief Investment Officer for Welton Street Investments, LLC and Welton Street Advisors LLC from 2005 to 2010. In this capacity, he reviewed and monitored all prospective securities offerings and investments. This included the review of over \$7 billion in private real estate transactions. From 2004 to 2005 he was an Assistant Vice President, Asset Management of Curian Capital LLC (“Curian”), a registered investment adviser. In this capacity, Mr. Frazier helped supervise the asset allocation and money manager selection for Curian’s turnkey asset management program. Mr. Frazier helped develop over 300 multi-disciplinary account portfolios. During his tenure at Curian, he helped the firm grow assets from \$200 million to over \$1 billion. From 2003 to 2004, Mr. Frazier managed the due diligence process for the National Planning Holdings’ (“NPH”) broker/dealer network, an organization with four separate broker dealers and over 3,000 registered representatives. This process included analyzing all potential investments to be sold within the broker dealer network including; mutual funds, variable annuities, private placements, REITs, hedge funds and derivative products. Mr. Frazier received a Bachelor of Arts degree in American Political Economy from The Colorado College, and has earned the CFA (Chartered Financial Analyst) designation.

## **OFFICERS**

### **JOHN GORDON, AGE: 53**

#### **CHIEF COMPLIANCE OFFICER AND CHIEF FINANCIAL OFFICER**

John Gordon joined Versus Capital as the Chief Compliance Officer and Chief Accounting Officer in 2011. Mr. Gordon is a CPA. His 29-year professional background includes 10 years at Madison Capital Management, LLC (Madison), an alternative investment management firm specializing in real estate, distressed, natural resources and special situation financial assets. Through May 2006, Mr. Gordon was responsible for the day-to-day activities of Madison's accounting and finance departments. Subsequently, Mr. Gordon managed the asset management department and was a member of the compliance committee and the investment committee. Previously, Mr. Gordon was the Chief Financial Officer for seven public equipment leasing limited partnerships managed by Capital Associates and served as the Corporate Controller for Capital Associates International, Inc., a public equipment leasing company. Prior to working at Capital Associates, Mr. Gordon's experience included four years as the Corporate Controller of Encore Media Corporation and five years with KPMG, then the largest public accounting firm in the world. Mr. Gordon has extensive experience dealing with accounting, finance, human resources and information technology issues, including participation in and/or overall responsibility for three major computer systems conversions. Mr. Gordon earned a BS in Business Administration with an emphasis in accounting from Metropolitan State College Colorado and attended MBA courses at the University of Colorado at Denver. Mr. Gordon became a certified public accountant in the state of Colorado in 1989 and a Forensic CPA in 2010. Mr. Gordon was a licensed Series 27 at Madison, but is not currently registered with a FINRA member firm.

### **JAKE MORTELL, AGE 43**

#### **National Director of Advisory Services**

Jake Mortell is Versus Capital's National Director of Advisory Services. Mr. Mortell joined Versus Capital in March of 2013 after providing RIA-focused sales and marketing consulting to the firm since early 2012. Mr. Mortell has 15 years of industry experience, including 10 years dedicated to the RIA channel. He has represented numerous asset managers to RIAs through his own firm, Candlewood Advisory Partners, LLC and previously with Sincere & Company, LLC. Mr. Mortell will serve as team leader and have responsibility for the Western region.