

SQ Advisors, LLC

Part 2A of Form ADV

The Brochure

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This brochure provides information about the qualifications and business practices of SQ Advisors, LLC (“SQ Advisors” or the “Company”). If you have any questions about the contents of this brochure, please contact us at 239-213-9393. 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 SQ Advisors is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Summary of Material Changes

The following material changes have been incorporated into this brochure since the last annual amendment filed in March 2015:

- SQ Advisors clarified fee calculation disclosures in the *Fees and Compensation* section, client reporting disclosures in the *Review of Accounts* and *Custody* sections, and partial fill disclosures in the *Brokerage Practice* section.
- SQ Advisors enhanced disclosures in the *Other Financial Industry Activities and Affiliations* section.

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Advisory Business

SQ Advisors was founded in August 2010 and began operating on January 1, 2011. The Company is primarily owned by Mr. Louis A. Simpson and Ms. Kimberly K. Querrey.

SQ Advisors is an investment advisory firm that provides discretionary portfolio management services to clients. SQ Advisors offers clients a concentrated investment strategy that focuses on investing in a limited number of long equity positions. SQ Advisors employs “bottom-up” analysis and fundamental research to identify investment opportunities for execution of the investment strategy. Please refer to the *Investment Strategies, Methods of Analysis, and Risk of Loss* section for a more detailed description of the SQ Advisors’ investment strategy.

Advisory services are generally not tailored to the individual needs of clients. An objective at SQ Advisors is to manage client accounts similarly according to the Company’s investment strategy. Clients, however, may impose reasonable mandates or restrictions in writing (e.g., an exhibit or schedule attached to the investment management agreement) to satisfy legal, regulatory, or other special concerns. For example, certain clients have restrictions from investing in specific types of securities and certain other clients have a percentage threshold for individual investments.

As of December 31, 2015, SQ Advisors managed approximately \$3,687,800,000 in discretionary assets.

Fees and Compensation

SQ Advisors charges clients an annual management fee of one percent of assets under management. Fees are not negotiable. However, fees are waived for employee accounts and certain family accounts. Other waivers may be granted at the discretion of SQ Advisors.

Except for one client described below, clients pay management fees quarterly in arrears. Quarterly payments are based on the value of assets under management on the last business day of the quarter, and are computed at one-fourth of the annual management fee. Generally, for a new client, the fee for the quarter will be pro-rated based upon the number of calendar days in the calendar quarter from the latter of the effective date of the executed agreement or the date the account is funded. For a terminating client, the fee for the quarter will be pro-rated over the period during which the contract was in effect in accordance with provisions in such client’s agreement. For most clients, SQ Advisors calculates quarterly fees and uploads the fee schedule so the custodian may deduct the fees directly from the client’s custodial account(s), in accordance with client advisory and custodial agreement provisions. However, some clients (e.g., delivery versus payment, or “DVP” accounts) are billed, and pay fees via a check or wire. Clients may generally select either method. However, fee deduction is not available for DVP accounts (please refer to the *Brokerage Practices* section for additional information about DVP accounts).

For one SQ Advisors client, one quarter of the annual one percent management fee is billed and payable quarterly in advance. Any prepaid but unearned fees will be refunded to this client upon termination in accordance with provisions in the client’s agreement.

In addition to the management fee charged by SQ Advisors, clients may incur trading costs and custodial fees (please refer to the *Brokerage Practices* section for more information). To the

extent that clients' accounts are invested in mutual funds or exchange-traded funds, those funds pay a separate layer of management fees, trading, administrative, and other expenses which are described in each respective fund's offering documents (i.e., prospectus).

In response to adverse or unusual market, economic, political, or other conditions as determined by the Company, SQ Advisors may take temporary defensive positions (e.g., cash) for clients. At these times, clients must be aware that there are less expensive alternatives available for cash management.

Performance-Based Fees and Side-by-Side Management

SQ Advisors does not charge performance-based fees to clients.

Types of Clients

SQ Advisors provides investment advisory and portfolio management services primarily to high net worth individuals, individuals, trusts, estates, endowments, foundations, charitable organizations, pooled investment vehicles, and corporations or other businesses.

At the onset of a new client relationship, SQ Advisors generally requires a minimum of \$10 million in assets under management for the establishment and maintenance of an investment advisory account. At its discretion, SQ Advisors may waive the minimum amount required to establish an investment advisory account.

Investment Strategies, Methods of Analysis, and Risk of Loss

Investment Strategy and Methods of Analysis

As previously mentioned, SQ Advisors offers a concentrated investment strategy focused on holding a limited number of long equity positions. SQ Advisors employs a largely unconstrained approach that seeks to maximize long-term total returns for clients. For example, SQ Advisors is not constrained by geography, sector, industry, or market capitalization in seeking investment opportunities for clients. SQ Advisors invests primarily in common stock positions and depositary receipts (e.g., ADRs), but is permitted to invest in preferred stock, convertible bonds, exchange-traded funds, mutual funds, REITs, foreign securities, and cash in order to execute its investment strategy for clients. SQ Advisors' investment strategy is generally long-term and intended to have relatively low portfolio turnover.

SQ Advisors' investment management strategy for clients is developed and implemented using the following Company principles as guidelines:

- Think independently
- Invest in high-return businesses run for the shareholders
- Pay only a reasonable price, even for an excellent business
- Invest for the long-term
- Do not diversify excessively

Generally, SQ Advisors believes that identifying a significant difference between the market value of a security and the intrinsic value of that security is what defines an investment opportunity.

SQ Advisors' primary method of analysis is fundamental research. Typically, this research involves scrutinizing corporate reports, press releases, financial statements, documents filed with the SEC or other regulatory entities, court filings, newspaper, magazine, internet articles, audio or transcripts of conference calls, presentations, conversations with the firm and/or competitors, and third-party research materials. Mr. Louis A. Simpson has final authority to make investment decisions on behalf of clients.

Risk of Loss

All investing involves a risk of loss that clients should be prepared to bear. The investment strategy offered by SQ Advisors could lose money over short or long periods of time. Identifying undervalued securities and other assets is difficult, and there are no assurances that SQ Advisors' investment strategy will succeed. Furthermore, clients may be forced to hold such investments for a substantial period of time before realizing any anticipated value. SQ Advisors cannot give any guarantee that it will achieve a client's investment objectives or that clients will receive a return of its investment. Below is a summary of potentially material risks for each significant SQ Advisors' investment strategy used, the methods of analysis used, and/or the particular type of security recommended.

- Dependence on Key Individual – The management of client portfolios is dependent on the continued service and active investment efforts of the Chairman and CIO, Mr. Louis A. Simpson.
- Lack of Diversification – The Company's investment strategy will generally hold less than 20 stocks, which means that it may invest a greater percentage of its assets in the securities of fewer issuers. Holding fewer securities may increase volatility of returns.
- Stock Market Risk – There is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- Underlying Business Risks – Investments in securities entails all the risks associated with the underlying businesses, including reliance on a company's managers and their ability to execute business strategies. In addition, all businesses face risks such as adverse changes in regulatory requirements, interest rate and currency fluctuations, general economic downturns, changes in political situations, market competitions and other factors. SQ Advisors will not have day-to-day control over any company in which it invests for clients.

Disciplinary Information

SQ Advisors and its employees have not been involved in any legal or disciplinary events that would be material to an evaluation of SQ Advisors or its personnel.

Other Financial Industry Activities and Affiliations

SQ Advisors and its employees do not have any relationships or arrangements with related person companies that pose material conflicts of interest. Mr. Simpson and Ms. Querrey serve on the board of two publicly-traded companies. SQ Advisor's policies and procedures prohibit the Company from trading in securities issued by a company where Mr. Simpson or Ms. Querrey

serves as a board member. Clients may refer to Mr. Simpson and Ms. Querrey's Form 2B for more information.

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

SQ Advisors has adopted a Code of Ethics (the "Code") that imposes on each employee a duty to place the interests of clients first. The Code requires officers, owners, and employees to, among other things, report to the CCO any actual or potential conflict of interest relating to any Company clients. The Code also imposes restrictions and safeguards on the reporting and use of material, non-public information.

The Code requires all officers, owners, and employees of the Company to report quarterly and annually their own and immediate family members' securities holdings and transactions to the CCO. In addition, each employee must pre-clear any trades in initial public offerings and private placements, as well as certain securities transactions in accounts that are not managed by SQ Advisors. The Code includes restrictions on short-term trading, requires SQ Advisors to monitor employees' outside business activities, and governs the giving and/or receipt of gifts and entertainment by SQ Advisors and its employees. Further, the Code restricts the political contribution activities of SQ Advisors, its employees and their spouses.

SQ Advisors does not buy or sell securities for client accounts in which SQ Advisors or a related person has a material financial interest (e.g., SQ Advisors does not engage in principal transactions). However, employees of the Company and their family members may have accounts (collectively, "employee accounts") managed by SQ Advisors and so invest in the same securities that are recommended to clients. This practice presents inherent conflicts of interests, such as employees, and/or certain of their family members: 1) trading before clients (i.e., front-running), and/or; 2) receiving a better allocation or price than clients. To address and mitigate (potential) conflicts of interest associated with personal trading, SQ Advisors has developed written policies and procedures to help ensure that employee accounts are not favored over client accounts. It is anticipated that employee accounts and client accounts will have a substantially similar percentage of assets in each security (though account composition may vary to some extent based upon a number of factors, including investment restrictions, and the timing of actual or anticipated capital additions or withdrawals). Employee accounts will generally transact in securities alongside client accounts, receive the average price that clients pay for securities transactions, and pay their share of transaction costs. In the event that an aggregated order including both employee and client accounts is only partially filled, the participating accounts will receive a pro rata allocation. In certain instances (e.g., new accounts, terminating accounts, add-on capital, partial withdrawals), SQ Advisors may purchase or sell securities for employee accounts when other client accounts are not purchasing or selling the same security. With limited exceptions, employee accounts will not receive a more advantageous price than client accounts for a particular security purchased or sold on the same trading day. Further, Employees should not purchase or sell individual securities held in the SQ Advisors' investment strategy unless it is through an employee account managed by SQ Advisors, or in limited circumstances, the transaction is pre-cleared by the CCO. The CCO monitors employee trading, relative to client trading, to ensure that employees do not engage in improper transactions.

Under certain circumstances an employee might invest in a security that is not considered suitable for client accounts because of size, liquidity, or other factors. A change in these factors could result in the security becoming more suitable for clients, but the CCO might not allow the security to be purchased for client accounts in order to avoid even the appearance of employees trading ahead of clients. In SQ Advisors' experience, it is rare for an employee's personal trading to limit clients' investment opportunities, but such a situation may arise from time to time. Please refer to SQ Advisors' Code of Ethics for additional information regarding personal trading.

Clients or prospective clients may request a copy of the Code by contacting Ms. Querrey, President and CCO, at (239) 213-9393 or by emailing her at sq@sqadv.com.

Brokerage Practices

SQ Advisors recommends that clients establish a brokerage account(s) with the Schwab Advisor Services division of Charles Schwab & Co. Inc. ("Schwab") for custody and brokerage services. Although SQ Advisors recommends that clients establish accounts at Schwab, it is the client's decision to custody assets at Schwab. SQ Advisors has a limited number of clients that custody their assets at a custodian(s) other than Schwab. SQ Advisors is independently-owned and operated and not affiliated with Schwab.

SQ Advisors places trades for client accounts subject to its fiduciary duties, including the duty to seek best execution for clients' securities transactions. Service, timely information flow, execution quality and capabilities are the primary factors considered in SQ Advisors' recommendation or selection of a broker, and in determining the reasonableness of broker compensation. SQ Advisors has authority to use broker-dealers other than Schwab to execute trades for client accounts maintained at Schwab, but this practice may result in additional costs to clients; therefore, SQ Advisors is more likely to place trades through Schwab rather than other broker-dealers. Schwab's fee schedules may be higher, but not significantly so, than those available from other brokers for similar services. When possible, SQ Advisors implements a DVP trading arrangement to utilize Schwab when transacting for clients custodied outside of Schwab.

For SQ Advisors' client accounts maintained in custody at Schwab, Schwab generally does not charge separately for custody, but is compensated by account holders through transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts. Clients that custody assets outside of Schwab may pay higher fees and charges for transactions, and may not get the most favorable execution of their transactions.

SQ Advisors does not maintain a formal soft dollar arrangement with Schwab or other brokers. Schwab provides SQ Advisors with access to its institutional trading and operations services including software and other technology not typically available to Schwab's retail customers. These services are generally available to SQ Advisors according to a pricing schedule based upon SQ Advisors' commitment that clients would place a specified dollar amount of assets in accounts at Schwab within a specified period of time. Access to these services is not based on client commissions paid to Schwab. Receipt of products and/or services may create an incentive for SQ Advisors to recommend Schwab and may be viewed as a conflict of interest. To mitigate potential conflicts, SQ Advisors conducts a periodic best execution review that includes an assessment of the pricing and services received from Schwab.

SQ Advisors' policy is to treat all clients fairly and equitably with respect to the aggregation and allocation of orders. With limited exceptions, SQ Advisors generally aggregates orders for client accounts for trade execution with the same broker. When orders are aggregated, each participating account will be allocated securities on an average price basis and pay their share of transaction costs. As described above in the *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading* section, it is anticipated that all accounts managed by SQ Advisors will have a substantially similar percentage of assets in each security. Instances in which client account orders may not be aggregated include, but are not limited to, the following:

- Client imposed investment guidelines, mandates and/or restrictions do not allow for participation in an order;
- Different position target levels and/or different ownership percentage respective to targeted levels;
- A client chooses a qualified custodian other than Schwab, and SQ Advisors and Schwab are unable to implement a DVP trading arrangement;
- The timing of actual or anticipated capital additions or withdrawals by clients; and/or
- SQ Advisors decides not to aggregate an order(s) because of tax, legal, regulatory, market conditions, or administrative reasons.

SQ Advisors generally takes into consideration varying position target levels and ownership between accounts to allocate partially-filled orders and will generally seek to complete any unfilled orders on the next trading day. In circumstances where all participating accounts have the same target level and ownership in the security being traded, SQ will seek to allocate participating accounts with a pro rata average priced allocation. A partial fill order that is fully filled over multiple days may result in multiple transaction charges; SQ Advisors, however, expects partial fill orders to occur from time to time, and such orders should not have a material effect on clients' account performance. Also, in certain instances (e.g., new accounts, terminating accounts, add-on capital, partial withdrawals), SQ Advisors may purchase or sell securities for client accounts when other client accounts are not purchasing or selling the same security.

At least three SQ Advisors clients have selected a qualified custodian other than Schwab and a DVP trading arrangement with Schwab is not available. As a result, SQ Advisors does not have the opportunity to aggregate those clients' transactions with all other SQ Advisors clients. The investment management agreements for those clients state, in part, that SQ Advisors shall give its investment instruction to the client's custodian after SQ Advisors trades for its other client accounts. Consequently, clients with this arrangement may pay higher trade fees and/or receive different execution prices on transactions than clients that custody at Schwab or custody elsewhere but have a DVP trading arrangement with Schwab; which may ultimately lead to the performance of those client account(s) (materially) differing from other SQ Advisors' clients. To help ensure that no particular clients are materially disadvantaged or advantaged over time, SQ Advisors monitors the performance dispersion of clients' accounts and conducts periodic best execution reviews.

Review of Accounts

SQ Advisors' CCO and/or CFO monitor and review client portfolios on a periodic basis. In addition, the Company reviews all trade transactions to ensure such transactions have been

executed properly and correctly recorded into client accounts. At least once a month, SQ Advisors reviews all client accounts to assess position sizes, the level of cash holdings, portfolio composition, and client specific developments. Client capital contributions, withdrawals, and company or stock specific events may trigger additional reviews of client accounts.

Schwab provides written custodian statements on at least a quarterly basis, which report investment activity and holdings of their account(s). Additionally, SQ Advisors sends separate investment reports to Clients on at least a quarterly basis. As required by investment agreement provisions, certain clients receive an annual written report of the proxy voting activity related to their account(s). SQ Advisors' Chairman and President are available to clients for consultation and, at least annually, SQ Advisors will contact each client, in writing, with a request to notify the firm if their financial situation or investment objectives have changed, and whether the client wishes to request, modify, or eliminate any reasonable investment restrictions on their account(s).

Client Referrals and Other Compensation

Please refer to the *Brokerage Practices* section above for disclosure about benefits made available to SQ Advisors by Schwab. SQ Advisors does not directly or indirectly compensate any person that is not a supervised person for client referrals.

Custody

All client funds and securities are held in custody by unaffiliated qualified custodians. Most clients authorize Schwab to pay investment advisory and related fees from the client's account(s) in the amount of SQ Advisors' instruction. For such accounts, Schwab sends custodian statements directly to the account owners on at least a quarterly basis. Clients should carefully review their custodian statement(s), and should compare these statement(s) to account information provided by SQ Advisors.

Investment Discretion

SQ Advisors accepts discretionary authority to manage securities accounts on behalf of clients. Clients grant SQ Advisors investment discretion through the execution of a limited power of attorney included in a written advisory agreement. SQ Advisors is not limited in its discretionary authority except to the extent an investment management agreement has established specific mandates, guidelines, and/or restrictions with respect to SQ Advisors' management of the account(s).

SQ Advisors does not anticipate entering into client agreements that allow a client to materially mandate or restrict the advisory decisions of SQ Advisors. Clients, however, may request mandates, guidelines, or restrictions for their account(s) due to legal, tax, regulatory, conflict of interest, or other special concerns of the client. Should SQ Advisors agree, contractually or informally, to a client-requested mandate, guideline, or restriction of an account(s), SQ Advisors will manage the account(s) accordingly.

Voting Client Securities

SQ Advisors accepts discretionary authority to vote proxies for clients' securities holdings, unless instructed otherwise by a client as described below. In accordance with its fiduciary duty to

clients and Rule 206(4)-6 of the Investment Advisers Act, SQ Advisors has adopted and implemented written policies and procedures governing the voting of client securities. All proxies that SQ Advisors receives will be treated in accordance with these policies and procedures. SQ Advisors utilizes a third-party proxy voting service to carry out the majority of the Company's proxy vote submissions and recordkeeping. Clients may not direct proxy voting for particular solicitations where SQ Advisors has discretionary authority to decide how to vote.

SQ Advisors' policy is to vote proxies in the best interests of its clients. SQ Advisors' written proxy policies and procedures require the Company to identify and address material conflicts of interest between SQ Advisors and its clients. If a material conflict of interest exists, SQ Advisors will determine whether voting in accordance with the guidelines set forth in written policies and procedures is in the best interests of the client(s), or take some other appropriate action (e.g., retain an independent third party to vote the proxy). SQ Advisors may abstain or affirmatively decide not to vote a proxy where SQ Advisors believes it is in the best interest of clients.

Clients may request and obtain a copy of SQ Advisors' proxy voting policies and procedures, and information regarding how client securities have been voted, by contacting Ms. Querrey at (239) 213-9393 or at sq@sqadv.com.

At least one client account requires, pursuant to an investment management agreement provision, that the client shall have the power in its discretion to exercise all voting rights and take all other shareholder actions (i.e., class actions and reorganizations) with respect to any or all of their account(s). Further, the client requires that SQ Advisors promptly deliver all proxy material it receives relating to any of the assets in the account(s). In such limited cases, SQ Advisors will vote proxies as instructed by the client. Clients with such an arrangement may contact Ms. Querrey at (239) 213-9393 or at sq@sqadv.com should the client have questions about a particular solicitation.

Financial Information

SQ Advisors has never filed for bankruptcy and is not aware of any financial condition that is expected to impair its ability to meet contractual commitments to client accounts.