

EDGEHILL CAPITAL, LLC D/B/A PALADINO CAPITAL

PART 2A OF FORM ADV: FIRM BROCHURE

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This brochure provides information about the qualifications and business practices of Edgehill Capital, LLC d/b/a Paladino Capital ("Paladino"). If you have any questions about the contents of this brochure, please contact Sean M. Smith at (704) 287-6361 or sms@edgehillcap.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Paladino is also available on the SEC's website at: www.adviserinfo.sec.gov.

Edgehill Capital, LLC d/b/a Paladino Capital is registered as an investment adviser with the SEC. SEC registration does not imply a certain level of skill or training.

Item 2. Material Changes

Paladino's most recent update to Part 2A of Form ADV was made on April 30, 2015. Material changes to this brochure since such update include updated information regarding Paladino's physical address; its clients, including changes to the types of clients to which it provides investment advisory services; the advisory services it provides to those clients; and how asset-based and performance-based fees and expenses are charged to clients.

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Item 4. Advisory Business

General Description of Advisory Firm

Edgehill Capital, LLC d/b/a Paladino Capital ("Paladino") is an investment adviser with its principal place of business in Charlotte, North Carolina. Paladino was formed in June, 2011 and began providing advisory services in January, 2015. Paladino is 100% owned and managed by Sean M. Smith.

Description of Advisory Services

Paladino provides both discretionary and non-discretionary investment advisory services primarily but not exclusively regarding investments in investment funds and public securities to its clients, which include a family office comprised of high net-worth individuals and other related entities.

Tailored Services for Clients

Paladino provides advisory and management services to its clients based on specific investment objectives and strategies. These objectives and strategies may differ by client; as such, Paladino provides tailored services and responds to client-imposed limitations on investment activities.

Client Assets Under Management

As of March 30, 2016, Paladino manages approximately \$64.6 million on a discretionary basis, and approximately \$60.0 million on a non-discretionary basis. This figure does not include any proprietary accounts.

Item 5. Fees and Compensation

Asset-Based Compensation

Paladino is paid a quarterly asset-based investment management fee in advance approximately equal to 1.00% per annum, based on a percentage of the value of each client's net assets as of the first day of each quarter.

Performance-Based Compensation

Paladino may be paid performance-based compensation, which is compensation that is based on a share of the capital appreciation of each client's assets under management. The performance-based compensation may be up to 20.0% of the capital appreciation above an agreed-upon benchmark, as negotiated in the agreements with each specific client. The performance-based compensation will be payable annually based upon performance versus the benchmark.

The asset-based compensation and performance-based compensation are negotiable, based up on the agreements between Paladino and its clients, and thus may vary from the fees noted above. Additionally, asset-based compensation and performance-based compensation have been waived for Paladino's principals and employees.

Payment of Fees

On a quarterly basis, Paladino invoices its clients for the asset-based fees in advance based upon assets under management at the beginning of each quarter. Payment terms may be negotiated, as provided in the agreements between Paladino and its clients. In the event an advisory agreement is terminated at some point other than at the end of a billing cycle, Paladino will provide a refund to its client in the amount of the paid yet unearned asset-based fees within that billing cycle, as determined by the number of days remaining in the billing cycle divided by the total number of days in the billing cycle.

Performance-based fees may be either debited from a client's account or invoiced as of the end of the respective period. Payment terms may be negotiated, as provided in the agreements between Paladino and its clients.

Other Fees and Expenses

As part of each client's investment strategy, Paladino may direct client assets into hedge funds and other private funds, exchange-traded funds ("ETFs") or registered investment companies. In each case, each individual client will pay its *pro rata* share of any fees and expenses, including performance-based fees, charged by the underlying investments.

Additionally, Paladino manages, on behalf of its clients, securities portfolios. The portfolios incur trading and brokerage commission charges, a *pro rata* portion of which are deducted from each client's respective account, as applicable. Please see the response to Item 12 for additional information about brokerage commissions. Clients also pay custodian or sub-custodian fees associated with their account(s).

With respect to non-discretionary assets for which Paladino provides investment advisory services, clients are responsible for all actual and reasonable costs and expenses incurred in connection with the provision of the services provided to such clients including, but not limited to, research costs, due diligence expenses, travel, meals and lodging expenses of Paladino that the client requires or requests. In addition, such clients bear all operating expenses incurred in connection with client accounts, including all legal, administrative, accounting, brokerage and other fees relating to the creation, maintenance and operation of client accounts.

Neither Paladino nor any of its supervised persons accepts 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

As stated in Item 5 above, Paladino charges some clients performance-based fees, which are fees based on a share of capital appreciation of the client's assets above an agreed-upon benchmark. The performance-based fees received by Paladino may be based primarily on realized and unrealized gains and losses. If the performance-based fee earned is based on unrealized gains, clients may never realize the returns to which the fee corresponds.

Because the proportion and amounts of performance-based fees charged to some clients may be greater than those from others, Paladino may have an incentive to favor one client over another. Performance-based fees may also provide an incentive for Paladino to invest a client's assets in riskier investments that promise potential higher returns.

Paladino has adopted and implemented policies and procedures intended to address potential conflicts of interest related to the management of multiple client accounts and the allocation of investment opportunities. These policies and procedures are intended to ensure that no clients are favored or disadvantaged on the basis of fees. Paladino's general allocation policy is to allocate investments and redemptions in investment funds, as well as securities transactions, on a *pro rata* basis. In this regard, allocations to investment funds and securities transactions are generally distributed *pro rata* based on the size of the account and any target model weights on a best efforts basis to the extent practicable among appropriate portfolios. Similarly, redemptions are generally allocated on a *pro rata* basis based on the size of the account and any target model weights.

Item 7. Types of Clients

Paladino's clients consist of a family office, consisting of high net-worth individuals and related entities. There is no minimum investment amount for establishing an account, as such amount is determined on a client-by-client basis.

Each client must generally be an "accredited investor" as defined in Regulation D under the Securities Act of 1933.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Investment Funds

The majority of client assets are invested in a variety of investment funds covering many different investing styles. Paladino systematically evaluates investment funds with an approach involving personal interviews with the managers of such investment funds in the managers' offices, phone interviews, and analysis of documents provided by the managers. Each investment fund's investment strategy and performance are analyzed, as well as the portfolio management skills of the investment fund's manager. Investment fund management firms are monitored through regular, ongoing contact both in their offices and through phone calls and electronic communications.

In addition to its investment reviews, Paladino also utilizes third parties to conduct a legal review, an operational due diligence review, a risk data review, and a separate risk assessment for each investment fund and investment fund manager. If an investment fund or investment fund manager does not pass any one of these reviews, it will typically not be considered for investment.

The investment funds in which Paladino invests client assets employ investment strategies that cover a broad range of asset classes including public securities, including both debt and equity; private investments of debt and equity; options, futures and other structured derivative securities; and other investment styles and strategies. Paladino generally divides the private fund universe into the following categories: Long/Short Equity, Equity Market Neutral,

Event-Driven Equity, Convertible Bond Hedging, Fixed Income Relative Value, Distressed Debt, Long/Short Credit, and Opportunistic:

- Long/Short Equity: Long/short equity managers construct net long or net short portfolios by using equity hedging strategies. These strategies typically involve taking a long position in a stock while shorting an individual stock or broad based market instrument. Net and gross exposures are managed in order to attempt to take advantage of both current market conditions and the resulting investment opportunity set. Long/short equity managers generally use short positions to attempt to hedge against a general stock market decline as well as to generate alpha. The managers differ across sectors, geographical regions, and styles such as value or growth.
- Equity Market Neutral: Equity market neutral managers construct portfolios that attempt to balance long and short positions in order to hedge systemic factors or exposures. Investment funds are generally constructed to be neutral across sectors, industries, and investment styles.
- Event-Driven Equity: This broad strategy area focuses on event-driven trades implemented mainly through equity positions. In executing this strategy, managers seek to profit from discontinuities in the valuation of securities caused by “events.” These discontinuities may occur as a result of pending “traditional” merger and acquisitions negotiations, but also through pending restructurings, reorganizations, spin-offs, asset sales, liquidations and share class or company holdings being discounted.
- Convertible Bond Hedging: Convertible bond hedging attempts to generate profits by identifying pricing disparities between a company’s convertible bonds and its underlying stock. Convertible bond hedging managers actively monitor the factors that may change the relationship between the convertible bond and underlying equity and typically execute a hedge by purchasing the convertible bond and selling short the stock.
- Fixed Income Relative Value: Managers employing these strategies seek to capture profit from taking offsetting long and short positions in related fixed income securities and derivatives. The pricing difference between very closely related fixed income securities is often narrow. As a result, managers typically use leverage to magnify the small pricing discrepancies between the instruments.
- Distressed Debt: Managers that focus on distressed debt strategies invest in the securities of companies that are experiencing financial or operational difficulties. Typically, based on a specific manager’s style, a distressed debt investment fund invests in bank debt, corporate debt, trade claims, common stock, or warrants. Distressed situations can include reorganizations, bankruptcies, distressed sales, and other corporate restructurings.
- Long/Short Credit: This area focuses on fixed income securities where the majority of the return is derived from credit exposure and selection as opposed to the general term structure of interest rates. Strategies utilized by long/short credit typically include the purchase or short sale of stressed and distressed bonds, bank

loans, high-yield debt and securities from recently reorganized firms. Long/short credit managers employ a wide variety of strategies to invest across the capital structure on a long and short basis.

- Opportunistic: This category aims to capitalize on strategies not necessarily captured by the above sectors and take advantage of niche opportunistic investments that may have a shorter investment horizon or a focused mandate. Such mandates are sourced by specialty managers across a range of strategies, including global macro, commodity-driven debt and equity, and managed futures. Another goal of this area is to improve the overall risk composition of portfolios, including but not limited to hedging mandates and the pursuit of other asymmetric investments.

Public Securities Portfolios

Paladino also advises its clients with respect to direct investment in global equity securities and other publicly-traded securities. Paladino's investment objective for these types of investments is to seek to generate superior risk-adjusted returns over the long-term by utilizing a concentrated value investing strategy. Paladino attempts to capitalize on price inefficiencies created by short-term market dislocations in order to identify undervalued securities that offer the potential for long-term capital appreciation with minimal risk of permanent principal loss. Complementary strategies that Paladino may pursue include currency and other tail-risk hedges.

The analytical process of Paladino centers on three key elements: (1) in-depth fundamental research, (2) conservative estimates for the intrinsic value of the underlying business, and (3) identifiable event paths that may unlock value over time.

Material Risks

Investing in investment funds and securities involves a risk of loss that Paladino's clients should be prepared to bear, including the risk that the entire amount invested may be lost. There are material risks associated with the investment strategies employed by the investment funds, as well as the securities portfolios. Some of these risks are described below.

Equity Securities. The value of the securities held by client, directly or through an investment fund, is subject to market risk, including changes in economic conditions, growth rates, profits, interest rates and the market's perception of these securities. A client's net asset value will increase and decrease, reflecting fluctuations in the value of securities underlying the securities held directly or by an investment fund.

Short Selling. Some of the investment funds in which Paladino invests client assets will engage in short selling, both as part of their general investment strategy and for hedging purposes. Short selling involves selling securities that are not owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows an investment fund to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss upon such repurchase.

Debt and Other Income Securities. Many of the investment funds in which Paladino invests client assets may invest in fixed-income and adjustable rate securities. Income securities are subject to interest rate, market and credit risk. Interest rate risk relates to changes in a security's value as a result of changes in interest rates generally. Even though such instruments are investments that seek a stable stream of income, the prices of such securities are inversely affected by changes in interest rates and, therefore, are subject to the risk of market price fluctuations.

Mortgage-Related Securities. Mortgage-related securities are collateralized by residential or commercial mortgages or pools of residential or commercial mortgages. Pools of mortgage loans are assembled as securities for sale to investors by various governmental, government-related and private organizations. These securities may include complex instruments such as collateralized mortgage obligations, stripped mortgage-backed securities, mortgage pass-through securities, interests in real estate mortgage investment conduits, as well as other real estate related securities. Mortgage-related securities are subject to credit risks associated with the performance by the mortgagors.

Convertible Securities. Some of the investment funds in which Paladino invests client assets will invest in convertible securities ("Convertibles"), which are generally debt securities or preferred stocks that may be converted into common stock. The market value of a Convertible performs like that of a regular debt security; that is, if market interest rates rise, the value of a Convertible usually falls. Since it is convertible into common stock, the Convertible generally has the same types of market and issuer risk as the underlying common stock. Convertibles that are debt securities are also subject to the normal risks associated with debt securities, such as interest rate risks, credit spread expansion and ultimately default risk, as discussed below. Convertibles are also prone to liquidity risk as demand can dry up periodically, and bid/ask spreads on bonds can widen significantly. Because convertible arbitrage also involves the short sale of underlying common stock, the strategy is also subject to stock-borrow risk, which is the risk that an investment fund will be unable to sustain the short position in the underlying common shares.

High-Yield Securities. Investment funds in which Paladino invests client assets may invest in high-yield securities, which are generally unrated or rated below investment grade debt securities and may be considered speculative. Such securities are generally not exchange-traded and, as a result, these instruments trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace. In addition, an investment fund may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities (which react primarily to fluctuations in the general level of interest rates) and tend to be more sensitive to economic conditions than are higher-rated securities.

Distressed Securities. An investment fund in which Paladino invests client assets may invest in "below investment grade" securities and obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they may also offer the potential for

correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers.

Foreign Sovereign Debt. Sovereign debt includes bonds that are issued by foreign governments or their agencies, instrumentalities or political subdivisions or by foreign central banks. Sovereign debt also may be issued by quasi-governmental entities that are owned by foreign governments but are not backed by their full faith and credit or general taxing powers. Investment in sovereign debt involves special risks. The issuer of the debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal and/or interest when due in accordance with terms of such debt, and an investment fund may have limited legal recourse in the event of a default.

Non-U.S. Exchanges and Markets. Paladino and certain investment funds in which Paladino invests client assets may engage in trading on non-U.S. exchanges and markets. Trading on such exchanges and markets may involve certain risks not applicable to trading on U.S. exchanges and is frequently less regulated. For example, certain of those exchanges may not provide the same assurances of the integrity (financial and otherwise) of the marketplace and its participants, as do U.S. exchanges. There also may be less regulatory oversight and supervision by the exchanges themselves over transactions and participants in such transactions on those exchanges.

Non-U.S. Investments. Investment in non-U.S. issuers or securities principally traded outside the United States may involve certain special risks due to economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive, accounting reporting and disclosure requirements than domestic issuers. The securities of some foreign governments and companies and foreign securities markets are less liquid and at times more volatile than comparable U.S. securities and securities markets. The foregoing risks associated with non-U.S. investments are even greater in emerging markets.

Currency Risk. The value of a non-U.S. security or investment fund's assets may be affected favorably or unfavorably by the changes in currency rates and exchange control regulations. Currency exchange rates may fluctuate significantly over short periods of time and can be affected unpredictably by political developments.

Derivatives Risk. Certain investment funds in which Paladino invests client assets may invest in derivatives. Derivatives are financial contracts whose value depends on, or is derived from, the value of an underlying asset, reference rate or index. An investment fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. If an investment fund invests in a derivative instrument, it could lose more than the principal amount invested. Finally, the assets of an investment fund may be pledged as collateral in swap and other derivatives transactions. Thus, if the investment fund defaults on such an obligation, the counterparty may be entitled to some of all of the assets of the investment fund as a result of the default.

Futures Contracts and Options on Futures Contracts. Investment funds in which Paladino invests client assets may purchase and sell futures and options on futures contracts. Futures contracts are traded on a futures exchange and call for the future delivery of a specified

“commodity” at a specified time and place. Futures prices are highly volatile. The profitability of purchases and sales of futures contracts by an investment fund will depend on the investment fund manager’s ability to analyze price movements in those markets. Because low margin deposits are normally required, an extremely high degree of leverage is obtainable in futures and options trading. A relatively small price movement in a futures contract, consequently, may result in large losses. Thus, like other highly leveraged investments, any purchase or sale of a futures contract may result in losses which exceed the amount invested.

Option Transactions. Investment funds in which Paladino invests client assets may engage from time to time in various types of options transactions. An option gives the purchaser the right, but not the obligation, upon exercise of the option, either (i) to buy or sell a specific amount of the underlying security at a specific price (the “strike” price or “exercise” price), or (ii) in the case of a stock index option, to receive a specified cash settlement. To purchase an option, the purchaser must pay a “premium,” which consists of a single, nonrefundable payment. Unless the price of the instrument underlying the option changes and it becomes profitable to exercise or offset the option before it expires, the investment fund may lose the entire amount of the premium. The purchaser of an option runs the risk of losing the entire investment. Thus, an investment fund may incur significant losses in a relatively short period of time.

OTC Transactions. Certain investment funds in which Paladino invests client assets may invest in derivative instruments that are not traded on organized exchanges and, as such, are not standardized. These transactions are known as over-the-counter (“OTC”) transactions. In general, there is less governmental regulation and supervision in the OTC markets than of transactions entered into on an organized exchange. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, will not be available in connection with OTC transactions. This exposes an investment fund to the risks that a counterparty will not settle a transaction because of a credit or liquidity problem or because of disputes over the terms of the contract. In addition, an investment fund will be subject to the risk of the inability of counterparties to perform with respect to transactions, whether due to insolvency, bankruptcy, governmental prohibition or other causes, which could subject the investment fund to losses.

Insolvency or Failure of Prime Broker, Other Broker-Dealers. Institutions, such as brokerage firms or banks, may hold certain of an investment fund’s assets in “street name.” Bankruptcy, inadequate controls or fraud at one of these institutions, in particular, an investment fund’s prime broker, which may hold the majority of that investment fund’s assets, could impair the operational capabilities or the capital position of that investment fund. In addition, as an investment fund may borrow money or securities or utilize operational leverage with respect to its assets, that investment fund will post certain of its assets as collateral securing the obligations or leverage (“Margin Securities”). Some or all of the Margin Securities may be available to creditors of that investment fund’s prime broker in the event of its insolvency. In addition, there may be substantial delays in the repayment of that investment fund’s assets in the event that the prime broker were to become insolvent, as well as a risk of total loss of such assets.

Cash Positions. A substantial portion of a Paladino client’s assets may, from time to time, be maintained in cash or cash-equivalent investments. Although such a practice may assist in the preservation of capital, the assumption of cash positions may also impact overall investment return. Cash investment practices of a client’s portfolio may be expected, therefore, to affect total investment performance of a client’s portfolio.

Special Situations. Certain investment funds in which Paladino invests client assets may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or result in a distribution of cash or a new security the value of which will be less than the purchase price to the investment fund of the security or other financial instrument in respect of which such distribution is received.

Leverage. Certain investment funds in which Paladino invests client assets may seek to enhance returns through the use of leverage. Certain such investment funds may borrow greater than 100% of their assets under management pursuant to the strategy they employ. Leverage magnifies both the favorable and unfavorable effects of price movements in the investments of an investment fund, which may subject the investment fund, and thus a Paladino client's portfolio, to a substantial risk of loss.

Item 9. Disciplinary Information

Paladino is required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of Paladino or the integrity of Paladino's management. Paladino has no information to report that is applicable to this Item.

Item 10. Other Financial Industry Activities and Affiliations

Neither Paladino 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, or as a futures commission merchant, commodity pool operator, commodity trading advisor, or associated person thereof.

As described in more detail in the response to Item 8 above, Paladino may invest the assets of the clients' portfolios in investment funds managed by other investment advisers. Paladino does not receive compensation from the other investment advisers in connection with such investments.

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

Paladino has adopted a Code of Ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 that obligates Paladino and its related persons to put the interests of Paladino's clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. All Paladino personnel are also required to comply with applicable federal securities laws. Clients or prospective clients may obtain a copy of the Code of Ethics by contacting Sean M. Smith (Chief Compliance Officer) by email at sms@edgehillcap.com or by telephone at (704) 287-6361.

Paladino is committed to complying with applicable laws and regulations and to maintaining the highest ethical standards. Paladino's Code of Ethics reflects Paladino's view on

dishonesty, self-dealing, conflicts of interest and trading on material, non-public information, which will not be tolerated. The Code of Ethics also requires employees to provide true and accurate copies of initial and annual securities holdings reports as well as quarterly securities transaction reports to the Chief Compliance Officer.

Under Paladino's Code of Ethics, employees and their families are not permitted to trade in most securities or investment funds without the prior approval of the Chief Compliance Officer. From time to time, Paladino personnel may invest in the same securities or investment funds as Paladino's clients, and such activity could create a potential conflict of interest. All such investment activity by Paladino personnel is subject to Paladino's Code of Ethics.

Paladino employees may benefit from educational events sponsored by industry service providers such as prime brokers, administrators, law firms, audit firms, and other such professional service firms. This may give employees an incentive to use such service providers. Paladino protects clients from this conflict of interest by requiring that each service provider is chosen in the best interests of its clients, in accordance with the Code of Ethics and Paladino's fiduciary duty to its clients.

Item 12. Brokerage Practices

Paladino considers a number of factors in selecting a broker-dealer to execute transactions (or a series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include net price, reputation, financial strength and stability, efficiency of execution and error resolution. In selecting a broker-dealer to execute transactions (or a series of transactions) and determining the reasonableness of the broker-dealer's compensation, Paladino need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not Paladino's practice to negotiate "execution only" commission rates; thus, a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer that are included in the commission rate. Paladino's investment team meets periodically to evaluate the broker-dealers used by Paladino to execute client trades using the foregoing factors.

Paladino may receive research or brokerage services from a broker-dealer and/or a third party in connection with client securities transactions. This is known as a "soft dollar" relationship. Currently, Paladino has informal soft dollar arrangements with certain firms that provide services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934.

From time to time, Paladino may participate in capital introduction programs arranged by broker-dealers, including firms that recommend entities managed by Paladino as an investment to clients. Paladino may place client portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if Paladino determines that it is otherwise consistent with seeking best execution. In no event will Paladino select a broker dealer as a means of remuneration for recommending Paladino or any other product managed by Paladino (or an affiliate) or affording Paladino with the opportunity to participate in capital introduction programs.

Paladino typically purchases or sells the same security for its clients contemporaneously and using the same executing broker. It is Paladino's practice to aggregate client orders for the purchase or sale of the same security submitted contemporaneously for execution using the

same executing broker. Such aggregation may enable Paladino to obtain for clients a more favorable price or a better commission rate based upon the volume of a particular transaction. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating client accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. If an order is only partially filled, Paladino's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to clients, and this typically results in a *pro rata* allocation to all participating clients.

Paladino does not have any directed brokerage arrangements.

Item 13. Review of Accounts

Each Paladino client account is reviewed by Paladino's managing member and portfolio manager, Sean M. Smith, on a regular basis, at least monthly. This review process may include analyzing whether securities positions should be maintained in view of current market conditions, as related to clients' investment objectives and guidelines. In addition, Paladino monitors the investment strategies, performance, and other activities of the investment funds in which Paladino invests client assets within the applicable sector, including personal visits to the managers' offices, electronic communications, and telephone conversations with the manager and staff.

If any material performance and/or position differences appear among Paladino client accounts, additional analysis of the accounts is performed in order to maintain appropriate levels of risk and to maintain the investment objective of each account.

Each Paladino client receives monthly, quarterly or other periodic written reports that may include investment commentary and a review of performance. Paladino and its clients may also agree that Paladino will provide certain other reports.

Item 14. Client Referrals and Other Compensation

Paladino receives no economic benefit from non-clients for providing investment advice or other services to clients, and does not compensate any person who is not a supervised person for client referrals.

Paladino may receive certain research or other services from broker-dealers through "soft dollar" arrangements. "Soft dollar" arrangements may create an incentive for Paladino to select or recommend broker-dealers based on Paladino's interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by Paladino on behalf of its clients. Currently, Paladino has no formal soft dollar arrangements in place but, as noted above, has informal arrangements with broker-dealers or other third parties to receive services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934.

Item 15. Custody

Paladino clients will receive monthly account statements from qualified custodians that maintain custody of client assets. These statements will be sent directly to Paladino clients. In addition, clients will receive regular reporting from Paladino regarding account statements and portfolio review and analysis. Paladino urges its clients to carefully review its account statements and portfolio review reports, and compare the statements received from the qualified custodian(s) to those received from Paladino.

Item 16. Investment Discretion

Paladino provides investment advisory services on both a discretionary and non-discretionary basis to its clients. Prior to assuming discretion in managing a client's assets, Paladino enters into an investment management agreement that sets forth the scope of Paladino's discretion. Subject to any limitations or restrictions set forth in the applicable investment management agreement, Paladino has the authority to determine (i) the securities to be purchased and sold for its clients and (ii) the amount of securities to be purchased or sold for its clients.

Paladino typically receives discretionary authority, including a power of attorney, through the investment management agreement with its clients. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

If it appears that a trade error has occurred, Paladino will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions occur, Paladino's error correction procedure is to ensure that clients are treated fairly. Paladino has discretion to resolve a particular error in any appropriate manner that is consistent with the above stated policy. In the event that a client account incurs a trade error as a result of Paladino's gross negligence, willful misconduct, or fraud, such trade errors will be corrected by Paladino as soon as practicable, in a manner such that the client incurs no loss. Trade errors that result other than by breach of the standard of care above are borne by the client account.

Item 17. Voting Client Securities

With respect to the discretionary assets it manages, Paladino has been delegated proxy voting authority on behalf of its clients. Paladino complies with its proxy voting policies and procedures that are designed to ensure that such proxies are voted in the best interests of its clients. Paladino will determine whether a proposal is in the best interests of its clients and may take into account the following factors, among others: (i) whether the proposal was recommended by management and Paladino's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past or future performance.

In voting proxies, Paladino utilizes the services of a third-party proxy agent that does not make vote recommendations. Paladino's clients generally are not permitted to direct their votes

in a particular solicitation. Typically, Paladino votes consistently with the recommendations of management, unless there are specific factors in Paladino's due diligence that warrant taking a different position. To the extent that voting presents a potential conflict of interest, Paladino communicates such potential conflict to each client and obtains vote recommendations directly from the client.

Item 18. Financial Information

Paladino has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.