

Picton Mahoney Asset Management

December 15, 2014

This *brochure* provides information about the qualifications and business practices of Picton Mahoney Asset Management. If you have any questions about the contents of this *brochure*, please contact us at 416-955-4108 or service@pictonmahoney.com. The information in this *brochure* has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any *state securities authority*.

Additional information about Picton Mahoney Asset Management is also available on the SEC’s website at www.adviserinfo.sec.gov.

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Please note that Item 2 appears at the end of this *Brochure*.

TABLE OF CONTENTS

Item 4.	Advisory Business.....	3
Item 5.	Fees and Compensation.....	5
Item 6.	<i>Performance-Based Fees</i> and Side-by-Side Management.....	7
Item 7.	Types of <i>Clients</i>	8
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss	9
Item 9.	Disciplinary Information.....	12
Item 10.	Other Financial Industry Activities and Affiliations	13
Item 11.	Code of Ethics, Participation or Interest in <i>Client</i> Transactions and Personal Trading.....	14
Item 12.	Brokerage Practices.....	16
Item 13.	Review of Accounts	19
Item 14.	<i>Client</i> Referrals and Other Compensation.....	20
Item 15.	Custody	21
Item 16.	Investment Discretion	22
Item 17.	Voting <i>Client</i> Securities.....	23
Item 18.	Financial Information.....	24
Item 19.	Requirements for State-Registered Advisers	25
Appendix, Item 2:	Material Changes.....	26

A. Advisory Business

Picton Mahoney Asset Management (“PMAM”, the “Adviser”, or “we”) was founded as a partnership in 2004 by David Picton and Michael Mahoney and commenced operations as an investment advisor on November 1, 2004. The partnership was formed and exists under the laws of Ontario, Canada with its principal place of business in Toronto, Ontario, Canada.

B. Description of Advisory Services

The Adviser provides investment advisory services on a discretionary basis to its *clients*, which include separately managed accounts (each the “Managed Account” and collectively the “Managed Accounts”) for Canadian institutional investors; sub-advisory services to investment funds offered by Canadian investment managers (each the “Sub-advised Fund” and collectively the “Sub-advised Funds”); and pooled investment funds offered by the Adviser (each the “Fund”, collectively the “Funds”) to Canadian and non-US qualified investors and institutional investors (the Managed Accounts, Sub-advised Funds, and Funds are hereafter collectively referred to as “Accounts”).

It is expected that the Adviser will contract as a sub-advisor to a US investment management firm to provide investment sub-advisory services on a discretionary basis to a registered investment company in the first quarter of 2015.

We work closely with each client to establish specific investment objectives, risk tolerance parameters, and to consider other unique circumstances, which are incorporated into a written investment policy statement, pooled fund offering memorandum or similar document (collectively, the “Investment Policy Statement”) which includes adhered to all applicable securities law and regulatory guidelines. Once investment policy guidelines have been established and provided to us, the portfolio manager assumes discretionary responsibility for building, managing and monitoring the client’s investment portfolio in accordance with those guidelines.

C. Availability of Tailored Services for Individual Clients

The Adviser provides advice to Accounts based on specific investment objectives and strategies as outlined in the Investment Policy Statement. Under certain circumstances, the Adviser may agree to tailor advisory services to the individual needs of *clients*. Currently, the Adviser tailors its investment advice in the following manners:

- Restrictions on geography of investments
- Restrictions on specific securities
- Minimum or maximum cash weightings within portfolio
- Maximum weightings within portfolio of specific securities
- Minimum and maximum weightings of securities not represented in a benchmark index

Clients may impose restrictions on investing in certain securities or certain types of securities subject to mutual agreement with the Adviser.

D. Wrap Fee Programs

The Adviser does not participate in any Wrap Fee Programs.

E. Client Assets Under Management

As of November 30, 2014, the Adviser managed approximately US\$ 8,148,431,000 in net assets under management for its clients in the Managed Accounts, Sub-advised Funds and the Funds. All of the above assets are managed on a discretionary basis.

As of the date of this document, we do not manage assets attributable to US clients and do not have Funds that are offered to US investors.

The numbers above have been rounded to the nearest U.S. \$100,000 using a foreign exchange rate of CAD \$1.14 buys U.S. \$1.00.

Item 5. Fees and Compensation

A. Advisory Fees and Compensation

Asset-Based Compensation

The Adviser charges each *client* an investment management fee based on the value of the *client's* assets under management.

Managed Accounts

The following shows a representative fee range for a managed account, subject to differences negotiated for each client to adjust for account size, asset class risk, and special requirements, among other things.

Investment Size	Fee (% per annum)
On the first C\$100 million	0.40%
Next C\$100 million	0.35%
Next C\$100 million	0.325%
Next C\$100 million and above	0.30%

Investment management fees are invoiced as of the last day each quarter in arrears, based on the market value of the assets in the managed account and calculated in accordance to the managed account agreement.

Sub-advised Funds

In the case of the Adviser's sub-advisory services, the investment management fee is negotiated with the client which is a percentage amount based on the assets being sub-advised by the Adviser. Investment management fees are invoiced as of the last day each quarter in arrears, based on the market value of the assets in the managed account and calculated in accordance to the sub-advisory agreement.

Funds

The Adviser charges each of its Funds an investment management fee of up to 2.0% per annum based on the value of the pooled investment vehicle's assets under management, as outlined in each fund's offering document. Investment management fees are invoiced as of the last day each quarter in arrears based on the net asset value of the Fund in accordance to the fund's offering document.

Performance-Based Compensation

The Adviser may also receive performance-based compensation, which is compensation that is based on a percentage of capital gains on or capital appreciation, subject to loss carry forwards and hurdle rates (as applicable), of the net assets of the Funds. This compensation is paid to the Adviser at the end of the fiscal year-end for the Funds and ranges up to 20%.

The Adviser, in its sole discretion, may waive or reduce the investment management fees for certain Managed Accounts, Sub-advised Funds, and investors in the Funds who are employees of the Adviser, relatives of such persons and for certain large or strategic investors.

B. Payment of Fees

The Adviser does not deduct the investment management fee from the Managed Accounts and Sub-advised Funds. The Adviser invoices the clients of the Managed Accounts and Sub-advised Funds quarterly in arrears.

The Adviser deducts the investment management fee on a quarterly basis and performance-based compensation at the fiscal year-end from the accounts of the Funds by instructing the Fund's custodian and/or prime broker.

C. Other Fees and Expenses

In addition to paying investment management fees and, if applicable, performance-based compensation, Accounts will also be subject to other investment expenses such as custodial charges, brokerage fees, commissions and related costs; interest expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; other portfolio expenses; and costs, expenses and fees (including, investment advisory and other fees charged by investment advisers with, or funds in, which the *client's* account invests) associated with products or services that may be necessary or incidental to such Accounts. *Client* assets that are invested in the Funds will bear their pro rata share of the fund's operating and other expenses including, in addition to those listed above: sales expenses, legal expenses; internal and external accounting, audit and tax preparation expenses; and organizational expenses. Please refer to Item 12 of this Firm *Brochure* for a discussion of the Adviser's brokerage practices.

D. Prepayment of Fees

All investment management fees and performance-based compensations are paid in arrears as noted above.

Item 6. *Performance-Based Fees and Side-by-Side Management*

Performance-Based Fees

The Adviser provides investment management services to multiple portfolios for multiple *clients*. The Adviser is entitled to be paid performance-based compensation by its Funds. The Adviser manages both Accounts that are charged performance-based compensation and Accounts that are charged an asset-based fee, which is a non-performance-based fee. In addition, certain Accounts may have higher asset-based fees or more favorable performance-based compensation arrangements than other Accounts. When the Adviser manages more than one Account, a potential exists for one Account to be favored over another Account. The Adviser has a greater incentive to favor Accounts that pay the Adviser performance-based compensation or higher fees.

Accordingly, the Adviser has adopted and implemented policies and procedures intended to address conflicts of interest that may arise relating to the management of multiple accounts, including accounts with different fee arrangements, and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies. In addition, the Adviser's procedures relating to the allocation of investment opportunities require that similarly managed accounts (assuming no restrictions apply) participate in investment opportunities pro rata based on asset size and require that, to the extent orders are aggregated, the client orders are price-averaged. Finally, the Adviser's procedures also require the objective allocation for limited opportunities such as initial public offerings and private placements to ensure fair and equitable allocation among accounts. These areas are monitored by the Adviser's Chief Compliance Officer.

Types of *Clients*

The Adviser provides investment advisory services on a discretionary basis to its clients, which include institutions, insurance products, pensions, university investment pools, university endowments, and pooled investment vehicles intended for qualified investors and institutional investors in Canada and other non-US countries.

The Adviser requires that a *client* invests a minimum of C\$35 million to open an account and to maintain a minimum account size of C\$35 million for separate accounts. If the account size falls below the minimum requirement due to market fluctuations only, a *client* will not be required to invest additional funds with the Adviser to meet the minimum account size.

With respect to any *client* that is a pooled investment vehicle, any initial and additional subscription minimums are disclosed in the offering memorandum for the pooled investment vehicle. Please note these pooled investment vehicles are not offered to US investors.

The Adviser currently has no US clients and does not have pooled investment funds that are offered to US investors. It is expected that the Adviser will contract as a sub-advisor to a US investment management firm to provide investment sub-advisory services on a discretionary basis to a registered investment company in the first quarter of 2015.

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

A. Methods of Analysis and Investment Strategies

Our Portfolio Managers employ a disciplined and repeatable investment process when constructing and managing clients' portfolios. Fundamental change is the critical factor that provides the foundation of our investment philosophy and process. To discover it we employ a unique combination of quantitative models and fundamental research.

We have developed an in-house quantitative platform that allows us to perform rigorous quantitative analysis and testing on factors used in our stock selection process. The primary focus of our models is to identify companies in the midst of positive (or negative) fundamental change. We identify companies changing for the better (or worse) using a multi factor quantitative model. Quantitative alphas are generated for all companies in a target universe and these are then used in conjunction with portfolio optimization tools to create a diversified, quantitative model portfolio with characteristics that are consistent with the mandate in question. This quantitative model portfolio is provided to our portfolio managers and used as an input their decision making process.

Independent from the quantitative process, our team of fundamental sector analysts search for positive (or negative) change candidates using traditional fundamental research strategies including; proprietary research, meeting with corporate managements, panoramic financial analysis, following corporate news releases, attending industry conferences, referencing sell-side research, etc. The objective of the fundamental team is to not only identify companies changing for the better (or worse), but also to assess the sustainability of this change. They also look to identify positive (negative) change candidates before they are picked up by traditional quantitative strategies. Each analyst then builds a recommended model portfolio for their sector. The fundamental model portfolio is provided to our portfolio managers and used as an input in their decision making process.

Using the recommendations from the fundamental and quantitative research teams in combination with portfolio optimization and risk control tools, the portfolio managers make the final decisions to construct a properly diversified portfolio that maximizes (minimizes) investors' exposure to the positive (negative) fundamental change characteristics while targeting a certain level of risk.

Investment Strategies

The Adviser uses a variety of methods to make investment decisions and these methods are managed in accordance with the Picton Mahoney investment approach. Although the Adviser may in addition to the strategies listed below use many other strategies for its Funds and Managed Accounts, the following strategies are the ones expected to be employed once the Adviser contracts with the US Investment Manager:

Investing Long in Securities: Making long investments in securities of companies identified as attractive investment candidates by the Adviser's investment process.

Short Selling Securities: Short selling of securities of companies identified as unattractive investments by the Adviser's investment process and/or to hedge the market exposure of the portfolio's long positions.

Pairs Trading: Taking short positions from time to time in securities of one issuer while taking a long position in securities of another issuer in an attempt to gain from the relative valuation differences between the two issuers. A pairs trade will be made when the Adviser feels the long position will appreciate in value when compared to the short position.

Private Placements and IPOs: Participating in initial public offerings, secondary offerings, and private financings (including special warrant financings) in existing publicly traded issuers. The portfolio shall not invest in any private placements issued by a private company.

Derivatives: Derivatives may be used to reduce or hedge against various risks including currency exchange risk associated with its foreign investments, and to obtain investment exposures on positions consistent with its investment objective, strategies and risk management. The derivatives that may be used in this regard are options, swaps, contracts for difference, futures or forwards. Additionally, the Adviser may also employ various option strategies to increase the account's income return including, but not limited to, covered call and put writing.

Managing Long and Short Positions: Managing the relative weightings of long and short positions to achieve the account's investment objective. In order to achieve its investment objective, the account will be structured so that it generally possesses positive but not full equity market exposure. That is, on average, over an entire market cycle, the Adviser expects the account will possess a net long exposure to the equity market.

Leverage: The account will be authorized to borrow in order to increase its investment leverage. Margin requirements of the applicable exchange will be adhered to by the account at all times. Additionally, any leverage used will be in line with applicable securities law and the Investment Policy Statement.

B. Material Risks

General Economic and Market Conditions: The success of the Adviser's activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the investments. Unexpected volatility or illiquidity may impair profitability or result in losses of the investments.

Foreign Market Exposure: The investments will, at any time, include securities established in jurisdictions outside Canada and the United States. Although most of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to similar Canadian and U.S. issuers, some issuers may not be subject to such standards and, as a result, there may be less publicly available information about such issuers than a Canadian or U.S. issuer. Other risks include the application of foreign tax law, changes in governmental administration or economic or monetary policy, and the effect of local market conditions on the availability of public information. Investments in foreign markets carry the potential exposure to the risk of political upheaval, acts of terrorism and war, all of which could have an adverse impact on the value of such securities.

Foreign Currency Exposure: Securities included in the investments may be valued in or have exposure to currencies other than the US dollar and, accordingly, each investment will, when measured in US dollars, be affected by fluctuations in the value of such currencies relative to the US dollar. However, the Adviser may hedge the US dollar exposure to the foreign currency in whole or in part. There can be no assurance that gains or losses on currency hedging transactions will be matched in timing or characterization with losses and gains on the securities valued in foreign currencies in which the Adviser invests.

Leverage: The Adviser is generally making investment decisions for assets that exceed the overall value of the investments. As a result, if the Adviser's investment decisions are incorrect, the resulting losses will be more than if investments were made solely in an unleveraged long portfolio as is the case in most conventional equity mutual funds. In addition, leveraged investment strategies can also be expected to increase the portfolio's turnover, transaction and market impact costs, interest and securities lending expenses and other costs and expenses.

Derivatives Risk: The portfolio's use of derivatives involves risks different from and possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives are subject to a number of risks, such as liquidity risk, interest rate risk, market risk, credit risk, leveraging risk, counterparty risk and management risk. They also involve the risk of mispricing or improper valuation and the risk that changes in the value of a derivative may not correlate perfectly with the underlying asset,

rate or index. When the Adviser invests in a derivative instrument, it could lose more than the initial amount invested.

Risk of Short Sales: Short sales entail certain risks, including the risk that a short sale of a security may expose a portfolio to losses if the value of the security increases. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the portfolio of buying those securities to cover the short position. In addition, a short sale by a portfolio requires the portfolio to borrow securities in order that the short sale may be transacted. There is no assurance that the lender of the securities will not require the security to be paid back by a portfolio before the portfolio wants to do so, possibly requiring the portfolio to borrow the security elsewhere or purchase the security on the market at an unattractive price. Moreover, the borrowing of securities entails the payment of a borrowing fee. The borrowing fee may increase during the borrowing period, adding to the expense of the short sale strategy. There is also no guarantee that the securities sold short can be repurchased by a portfolio due to supply and demand constraints in the equity markets. Finally, in order to maintain the appropriate ratios between the long portfolio and the short portfolio of a portfolio, the Adviser may be required to buy or sell short securities at unattractive prices.

Counterparty Risk: A portfolio may enter into customized financial instrument transactions that are subject to the risk of credit failure or the inability of, or refusal by, the counterparty to perform its obligations with respect to such customized financial instrument transactions, which could subject the portfolio to substantial losses.

Portfolio Turnover: The Adviser adjusts the proportions of investments held in the portfolios on a relatively frequent basis. In order to do so, the Adviser actively trades on a frequent ongoing basis, such that the operation of a portfolio may result in a high, annual portfolio turnover rate. The amount of leverage that a portfolio operates at also exaggerates the turnover rate of the portfolio. The Adviser has not placed any limit on the rate of portfolio turnover, and portfolio securities may be sold without regard to the time that they have been held when, in the opinion of the Adviser, investment considerations warrant such action. The high rate of portfolio turnover of the portfolios involves correspondingly greater expenses than a lower turnover rate (e.g., greater transaction costs such as brokerage fees and market impact costs). There is not necessarily a relationship between a high turnover rate and the performance of a portfolio.

Liquidity of Investments: A portfolio's investments may be subject to liquidity constraints because of insufficient depth or volume on the trading markets for the securities the portfolio is or has invested in, or the securities may be subject to legal or contractual restrictions on their resale. Each securities exchange typically has the right to suspend or limit trading and/or quotations in all of the securities that it lists. A portfolio may not be able to trade securities when it wants to do so or to realize what it perceives to be the securities' fair market value in the event of a trade. The trading of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other trading expenses than do trades of securities that are eligible for trading on securities exchanges or on over-the-counter markets or securities that are listed and hence more liquid. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

Disciplinary Information

This Item is not applicable.

Item 10. Other Financial Industry Activities and Affiliations

Other Financial Industry Activities and Affiliations

The Adviser is registered in the below provinces of Canada as:

Investment Fund Manager: Ontario, Quebec and Newfoundland & Labrador

Portfolio Manager: Ontario, British Columbia, Saskatchewan, Manitoba, Prince Edward Island and Quebec

Exempt Market Dealer: Ontario, British Columbia, Alberta and Quebec

Commodity Trading Manager: Ontario

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

A. Code of Ethics.

The Adviser has adopted a Code of Ethics (the “Code”) that obligates the Adviser including its *supervised and* access persons to put the interests of the Adviser’s *clients* before the Adviser’s own interests and their own personal interests and to act honestly and fairly in all respects in their dealings with *clients*. In addition to compliance with the Adviser’s policies and procedures, all of the Adviser’s personnel are required to comply with applicable federal securities laws. *Clients* or prospective *clients* may obtain a copy of the Code by contacting the Chief Compliance Officer by email at service@pictonmahoney.com or by telephone at 416-955-4108. See below for further provisions of the Code as they relate to the restrictions and reporting of securities transactions by the Adviser’s *supervised persons and* access persons.

The Adviser and its *supervised persons* and access persons may give and/or receive gifts, services or other items to/from any person or entity that does business with or potentially could conduct business with or on behalf of the Adviser. The Adviser has adopted policies and procedures, which includes disclosure of gifts in excess of certain de minimis thresholds and pre-clearance by the Chief Compliance Officer prior to giving/receiving gifts above a certain de minimis threshold.

The Adviser, in the course of its investment management activities may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser have invested or seek to invest on behalf of *clients*. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other *person*, regardless of whether such other *person* is a *client*. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to *persons* who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to its *clients* and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the *client* or using such information for the *client*’s benefit. In such circumstances, the Adviser will have no responsibility or liability to the *client* for not disclosing such information to the *client* (or the fact that the Adviser possesses such information), or not using such information for the *client*’s benefit, as a result of following the Adviser’s policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

B. Client Transactions in Securities where Adviser has a Material Financial Interest.

This Item is not applicable.

C. Investing in Securities Recommended to Clients.

The Adviser and/or its access persons may at times invest in the same securities (or related securities, e.g., warrants, options or futures) that the Adviser or an access person recommends to clients. Such practices present a conflict when, because of the information an Adviser has, the Adviser or its access persons are in a position to trade in a manner that could adversely affect the Adviser’s clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients’ trades). In addition to affecting the Adviser’s or its access person’s objectivity, these practices by the Adviser or its access persons may also harm clients by adversely affecting the price at which the clients’ trades are executed. The Adviser has adopted the following procedures in an effort to minimize such conflicts: the Adviser requires its access persons to acquire pre-approval from the Chief Compliance officer for all security transactions in their personal account that are not on the pre-approved list in the Adviser’s Code of Ethics. The Chief Compliance Officer may deny permission to execute the transaction if such transaction will have any potential adverse economic impact on one of its clients. In

addition, the Adviser's access persons are required to disclose the holdings in their personal accounts upon commencement of employment with the Adviser and provide duplicate statements at least quarterly. Trading in the personal accounts of the Adviser's access persons is reviewed by the Compliance department on a monthly basis.

D. Conflicts of Interest Created by Contemporaneous Trading

This Item is not applicable.

Brokerage Practices**A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.**

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include, but are not limited to, financial strength, quality of execution services, quality of research quality of sales coverage, quality of conference and access to management meetings and quality of other proprietary services. In selecting a broker-dealer to execute transactions (or a series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser'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 which are included in the commission rate. The Adviser's Chief Compliance Officer, portfolio managers and traders meet periodically to evaluate the broker-dealers used by the Adviser to execute *client* trades using the foregoing factors.

1. Research and Other Soft Dollar Benefits.

The following disclosure will be applicable to US clients and any pooled investment funds which may be offered to US investors. This disclosure does not necessarily apply to non-US clients.

The Adviser receives research or other products or services other than execution from a broker-dealer and/or a third party in connection with *client* securities transactions. This is known as a "soft dollar" relationship. The Adviser will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

When the Adviser uses *client* commissions to obtain Section 28(e) eligible research and brokerage products and services, the Adviser's Chief Compliance Officer, traders and portfolio managers meet periodically to review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or the Adviser's overall responsibilities to the accounts or portfolios over which the Adviser exercises investment discretion.

The use of *client* commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products

and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

The Adviser may cause *clients* to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs for *clients*.

Research and brokerage services obtained by the use of commissions arising from a *client's* portfolio transactions may be used by the Adviser in its other investment activities, including, for the benefit of other *client* accounts. The Adviser does not seek to allocate soft dollar benefits to *client* accounts proportionately to the soft dollar credits the accounts generate. During the Adviser's last fiscal year, as a result of *client* brokerage commissions (or markups or markdowns), the Adviser acquired data services (including services providing real time exchange data, market data, company financial data and economic data), software used to transmit orders, research reports (including market research), certain financial newsletters and trade journals, and services related to execution of securities transactions.

In determining whether to direct *client* brokerage transactions to particular broker-dealers, the Adviser's Chief Compliance Officer, traders and portfolio managers meet periodically to review and evaluate the soft dollar practices of the Adviser and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer.

In some instances, the Adviser may obtain a product or service that is used, in part, by the Adviser for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, the Adviser will make a good faith effort to determine the relative proportion of the product or service used to assist the Adviser in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). Such determination will be made based on the actual use of the product or service by the Adviser's personnel. The proportion of the product or service attributable to assisting the Adviser in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by *client* transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by the Adviser from its own resources. The determination by the Adviser of the appropriate allocation of "mixed use" products and services creates a potential conflict of interest between the Adviser and *clients*.

2. Brokerage for Client Referrals.

In selecting or recommending broker-dealers, the Adviser does not consider whether the Adviser receives client referrals from a broker-dealer or a third party.

3. Directed Brokerage.

This Item is not applicable

B. Order Aggregation

In the allocation of investment opportunities among its Clients, the Adviser's Fairness policy is to ensure that it and each of its advising representatives deals fairly, honestly and in good faith with its Clients. Securities transactions are allocated among Clients in a manner that is equitable to each and on a *pro rata* basis in accordance with the amount being purchased or sold by each.

As a result of the Adviser's policy respecting the allocation of investment opportunities among Accounts, if a particular investment opportunity is considered appropriate for two or more Accounts, a block trade may be conducted on behalf of all such Accounts. If the block trade is completed, or only partially completed, in different lots having different purchase or sale prices and commissions, each participating account will

receive its *pro rata* share of the securities purchased, or the proceeds of the securities sold, as the case may be, and will pay its *pro rata* share of the weighted average of the purchase prices or share the proceeds of the sale on a *pro rata* basis at the weighted average of the sale prices and commissions paid.

There may be times where strict application of the *pro rata* allocation rule does not lead to a fair and reasonable allocation. When the portion of a partially filled order that may be allocated to a participating account is such that after the allocation, the account's holdings of the security would fall below the account's target weighting (i.e. the minimum investment in a particular security, in relation to the account's total assets, that the portfolio manager determines to be appropriate), the account may not be allocated any portion of the order.

A. Frequency and Nature of Review.

Each Account is reviewed by the portfolio manager of the Adviser responsible for the client, on an ongoing basis to determine whether securities positions should be maintained in light of current market conditions. Matters reviewed include specific securities held, adherence to investment guidelines and the performance of each Account. Additionally, the Adviser's Compliance Department reviews the account to ensure adherence to any restrictions, concentrations limits and investment guidelines.

B. Factors Prompting a Non-Periodic Review of Accounts

This Item is not applicable.

C. Content and Frequency of Regular Account Reports.

Each client that is a separate account will receive the agreed upon reporting (including performance) on a monthly basis and such reports may be delivered electronically to the client in accordance with the client's agreement with the Adviser.

Item 14. *Client* Referrals and Other Compensation***Client* Referrals and Other Compensation*****A. Economic Benefits Received from Non-Clients for Providing Services to Clients.***

The Adviser receives certain research or other products or services from broker-dealers through “soft-dollar” arrangements. These “soft-dollar” arrangements create an incentive for the Adviser to select or recommend broker-dealers based on the Adviser’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 the Adviser on behalf of its *clients*. Please see Item 12 for further information on the Adviser’s “soft-dollar” practices for its US clients, including the Adviser’s procedures for addressing conflicts of interest that arise from such practices.

B. Compensation to Non-Supervised Persons for Client Referrals.

The Adviser does not have referral arrangements for US clients.

Custody

The Adviser does not have custody of client funds and securities in the Managed Accounts and Sub-advised Funds.

Investment Discretion

The Adviser provides investment advisory services on a *discretionary basis* to *clients*. Please see Item 4 for a description of any limitations *clients* may place on the Adviser's *discretionary authority*.

Prior to assuming full discretion in managing a *client's* assets, the Adviser enters into an Investment Policy Statement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary *client*, the Adviser has the authority to determine (i) the securities to be purchased and sold for the Account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) and, (ii) the amount of securities to be purchased or sold for the Account. Because of the differences in *client* investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among *clients* in invested positions and securities held. Please refer to Item 12, Brokerage Practices, for a description of the trade allocation methodology when multiple clients participate in the same transaction.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors occur, the Adviser's error correction procedure is to ensure that *clients* are treated fairly. If the trading error results in a profit to the account, the account will be the beneficiary. If the trading error results in a loss that is not recoverable to the account, the Adviser will compensate the account.

To the extent the Adviser has authority, pursuant to the investment management agreement or other governing documents of an Account, to participate in class action claims (each, a "Claim") it will do so on a case-by-case basis. Once the Adviser receives a Claim, the Adviser will determine whether any clients or former clients of the Adviser owned the security during the period covered by the Claim. Appropriate personnel of the Adviser or the Adviser's designee will determine whether they agree with the basis of the Claim and whether or not to participate in the Claim depending upon (i) the nature of the Claim; (ii) prospects for recovery; (iii) resources required to pursue the Claim, (iv) other relevant factors pertaining to the particular Claim and (v) any other factors that the Adviser deems relevant.

Item 17. Voting *Client* Securities***A. Policies and Procedures Relating to Authority to Vote Client Securities.***

To the extent the Adviser has been delegated proxy voting authority on behalf of its *clients*, the Adviser complies with its proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to *client* securities, such proxies are voted in the best interests of its *clients*.

If a material conflict of interest between the Adviser and a *client* exists, the Adviser will determine whether voting in accordance with the guidelines set forth in its proxy voting policies and procedures is in the best interests of the *client* or take some other appropriate action.

Financial Information

This Item is not applicable.

Item 19. Requirements for State-Registered Advisers**Requirements for State-Registered Advisers**

This Item is not applicable.

Appendix: Item 2. Material Changes

This Item is not applicable.