

**FIRM BROCHURE**  
**(Part 2A of Form ADV)**

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**This brochure provides information about the qualifications and business practices of Aalto Invest UK Ltd. (“Aalto”). If you have any questions about the contents of this brochure, please contact Innes Harding at +44 203 137 9895 and/or by email [innes.harding@aaltoinvest.com](mailto:innes.harding@aaltoinvest.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Aalto is registered as an investment adviser with the U.S. Securities and Exchange Commission; however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.**

**Additional information about Aalto also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **ITEM 2 – MATERIAL CHANGES**

This Brochure, dated March 29, 2016 replaces Aalto's prior brochure dated July 30, 2015. There have been no material changes, but Item 4 has been updated to reflect RAUM as of December 31, 2015.

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## ITEM 4 – ADVISORY BUSINESS

Aalto Invest UK Ltd, a UK-based Private Limited Company (“Aalto” or the “Adviser”), formed in 2010, provides discretionary investment management and advisory services to pooled investment vehicles or investors using managed accounts. West Granite Homes, Inc. is organized as a private, US Real Estate Investment Trust (the “US REIT”). Tamina Homes, Inc. is organized as a corporation in Delaware (“Tamina”). South Granite Homes Partnership LP (“SGH”), the third and final fund, is organized as a limited liability partnership in Delaware (each a “Fund” and together with the US REIT and Tamina, the “Funds”).

The Funds are private real estate funds organized principally to acquire and develop a portfolio of real estate assets by investing either directly or through the use of special purpose vehicles (“SPVs”). SGH (the “Closed Fund”) has held initial and, final closing. The Closed Fund is within its investment period, during which investment opportunities are identified, acted upon and exited. SGH has a limited term, at the conclusion of which final distributions will be paid to investors (each, an “Investor”). The US REIT and Tamina are not closed ended funds, but as they were established specifically in conjunction with each main investor they are closed to new investors.

Aalto is principally owned by Aalto Invest Holding AG, which is in turn principally owned by Mikko Syrjanen and Petteri Barman.

Aalto is the investment adviser to the Funds which invest in real estate assets, comprised primarily of single family homes, as well as other real estate assets, located throughout the United States (each, an “Investment”). More specifically, Aalto’s investment objective is to seek attractive returns for its investors by: (a) investing in single family homes in the United States; (b) refurbishing the acquired houses and leasing them to tenants; and (c) at the end of a Fund’s life, selling the properties. The Funds may invest in securities for liquidity management purposes only or to facilitate exiting an Investment, and certain financial market derivatives may be employed but only for hedging purposes. The Funds may acquire newly built single family homes from homebuilders and other sellers. The Funds may also acquire developed residential land lots with a view to contracting homebuilders to build single family homes on such lots with construction to start as soon as practicable after acquisition. To achieve its investment program, Aalto and the Funds may use borrowings, including loans and bond investments, provided that proceeds of such borrowings shall be principally used to return capital to a particular Fund’s Investors.

Each Fund’s investment objective and/or parameters are set forth in the Fund’s applicable governing documents (the “Fund Documents”) provided to each Investor. As applicable, the Fund Documents set forth the Funds’ investment strategy, including guidelines regarding the types of securities the Fund will invest in and portfolio limits (if any).

At the inception of a Fund, Aalto tailors its investment structures and investment funds to meet the complex demands and requirements of its Investors. Once a given Fund is active, the investment guidelines and parameters are actively monitored by Aalto but Aalto does not adjust or tailors its advisory services to the individual needs of Fund Investors, nor does it accept Investor-imposed investment restrictions.

Aalto (or its affiliates) may from time to time enter into side letter or similar agreements with certain Investors that may provide for terms of investment that are more favorable to the terms described in the respective Fund’s Governing Documents.

Aalto does not participate in wrap fee programs.

As of December 31, 2015, Aalto manages \$523,304,000 of Fund assets, all on a discretionary basis. Aalto does not manage any assets on a non-discretionary basis.

## **ITEM 5 – FEES AND COMPENSATION**

Please review the respective Fund's offering document for detail related to applicable asset management fees and carried interest fees which are payable upon distribution of proceeds. While such fees do apply, the Funds are only available to qualified purchasers and as such have not been disclosed here in Item 5. It is critical that Investors refer to the relevant confidential private placement memorandum and other governing documents for a complete understanding of related fees. The information contained herein is a summary only and is qualified in its entirety by such documents.

Each Fund pays for, or reimburses Aalto and its affiliates for their payment of, the expenses incurred in connection with the organization and formation of a Fund, the Fund's General Partner (as applicable), and the offering of the Fund's interests/shares. Such expenses chargeable to a Fund are allocated to the Investors on a pro rata basis based on the Investor's capital commitments.

The Fund also bears its own expenses, including, without limitation, all costs and expenses of maintaining the operations of the Fund and its Investments paid by or on behalf of the Fund, whether a transaction was concluded or not, and not paid or reimbursed by the related Portfolio Companies, determined on a cash basis, including, without limitation, legal, filing, auditing, consulting administration, and accounting fees and expenses; expenses associated with the Fund's information, communication and reporting costs, including Limited Partner (if applicable) annual meeting expenses (excluding expenses of individual Limited Partners (if applicable)), expenses of any third-party advisory committees of the Fund, expenses of the Advisory Board (if any), financial statements, tax returns and Schedules K-1; insurance, interest and other expenses incurred in respect of borrowings of the Fund and its subsidiaries, other expenses associated with the acquisition, holding and disposition of the Investments or Investments of Portfolio Companies (including, without limitation, any brokerage, custody, hedging costs, the fees and expenses of valuation agents, property managers and maintenance and recurring costs); the costs and expenses of any litigation involving the Fund or an Investment and the amount of any judgments or settlements paid in connection therewith; and any entity-level taxes, fees or other governmental charges levied against the Fund.

Fees are deducted from each Fund's assets. Investors do not have the ability to choose to be billed directly for fees incurred. The Management Fee is generally payable monthly in advance; however, in certain Funds it is payable quarterly in arrears.

It is critical that Investors refer to the relevant confidential private placement memorandum and other governing documents for a complete understanding of how fees are deducted from their assets. The information contained herein is a summary only and is qualified in its entirety by such documents.

## **ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Subject to a clawback, Aalto is eligible to receive performance-based compensation from Investors upon the distribution of investment proceeds as described in relevant Fund offering materials.

It should be noted that the possibility of an affiliate of Aalto's receipt of performance-based compensation creates a potential conflict of interest in that it may create an incentive to make investments that are riskier or more speculative than in the absence of such performance-based fee. Investors are provided

with clear disclosure in applicable Fund Documents as to how the performance-based compensation is charged.

## **ITEM 7 – TYPES OF CLIENTS**

Aalto provides investment management and advisory services to pooled investment vehicles and managed accounts operating as private real estate funds.

The Funds will offer interests only to certain qualified investors who meet qualification requirements under applicable securities laws and other laws. Admission to the Funds is not open to the general public.

The minimum capital commitment of an Investor in each Fund is generally \$100,000, although lesser commitment amounts may be accepted in the discretion of Aalto (or a relevant Fund's Directors).

## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **METHODS OF ANALYSIS AND INVESTMENT STRATEGIES**

The investment objective for South Granite Homes Partnership LP is to seek attractive returns for its Investors by: (a) investing in single family homes in the United States; (b) refurbishing the acquired houses and leasing them to tenants; and (c) at the end of a Fund's life, selling the properties. The Funds may invest in securities for liquidity management purposes only or to facilitate exiting an Investment, and certain financial market derivatives may be employed but only for hedging purposes. The Funds may acquire newly built single family homes from homebuilders and other sellers. The Funds may also acquire developed residential land lots with a view to contracting homebuilders to build single family homes on such lots with construction to start as soon as practicable after acquisition. To achieve its investment program, Aalto and the Funds may use borrowings, including loans and bond investments, provided that proceeds of such borrowings shall be principally used to return capital to a particular Fund's Investors.

The investment objective for West Granite Homes, Inc., a private US Real Estate Investment Trust (the "US REIT") is to invest in single family residential properties in selected US states and is subject to restrictions set out in the US REIT's Private Placement Memorandum. The US REIT will not own any of the residential real property directly but through various single member limited liability companies each formed under the laws of the State of Delaware to hold and own title to all of the residential real property. These subsidiary limited liability companies create a liability shield insulating the residential real property assets owned by one subsidiary from the potential liabilities incurred by any other subsidiary of the US REIT.

In order to pursue the US Housing Strategy, Aalto seeks to carry out the following non-exhaustive list of functions subject to certain restrictions and oversight from, as applicable, a Fund's Directors or its General Partner:

- Providing research and analysis and direct formation of investment policies and strategies for the Funds
- making offers and purchasing single properties
- purchasing securities and holding them for hedging purposes
- entering into relevant contracts and transactions for, or in connection with, investment in properties and in connection with the exit from properties

- engaging with property brokers and managers to assist in executing the agreed investment strategy
- engaging with insurance agents to provide adequate cover for buildings, and general liability coverage as well as title insurance
- engaging with a third party administrator and transfer agents and any other Fund service provider to enable them to perform their duties appropriately
- operating bank accounts on behalf of the Funds for the purpose executing the investment strategy (i.e. rent collections account, property acquisition account etc.).

Each Fund's investment objective and/or parameters are set forth in the Fund's applicable governing documents (the "Fund Documents") provided to each Investor. As applicable, the Fund Documents set forth the Funds' investment strategy, including guidelines regarding the types of securities the Fund will invest in and portfolio limits (if any).

## MATERIAL RISKS

*Real Estate Investments Are Not As Liquid As Certain Other Types of Assets.* Real estate investments are not as liquid as other types of investments and this lack of liquidity may tend to limit a Fund's ability to react promptly to changes in economic or other conditions. In addition, significant expenditures associated with real estate investments, such as mortgage payments, real estate taxes and maintenance costs, may change adversely and are generally not reduced when circumstances cause a reduction in income from the investments. A Fund or its underlying investment entities may need to comply with certain legal, tax and other requirements prior to liquidating such investments.

*Losses Not Covered by Insurance.* The insurance coverage applicable to real estate investments contains policy specifications and insured limits customarily carried for similar properties, business activities and markets. There may be certain losses, including but not limited to losses from floods and losses from earthquakes, hurricanes, acts of war, acts of terrorism or riots, that are not generally insured against or that are not generally fully insured against because it is not deemed to be economically feasible or prudent to do so. If an uninsured loss or a loss in excess of insured limits occurs with respect to a real estate investment, the Fund could experience a significant loss and could potentially remain obligated under any recourse debt associated with the property.

*Potential Environmental Liability.* Under various federal, state, and local laws, ordinances and regulations, a current or previous owner, developer or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, under or in its property. The costs of removal or remediation of such substances could be substantial. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such hazardous substances. A Fund will attempt to assess such risks as part of its due diligence activities, but cannot give any assurance that such conditions do not exist or may not arise in the future. The presence of such substances on a Fund's real estate investments could adversely affect its ability to sell such investments or to borrow using such investments as collateral.

*General Real Estate Risks.* Real estate and real-estate-related investments generally will be subject to the risks incident to the ownership and operation of commercial real estate and/or risks incident to the making of nonrecourse mortgage loans secured by real estate, including (1) risks associated with the general economic climate; (2) local real estate conditions; (3) risks due to dependence on cash flow; (4) risks and operating problems arising out of the absence of certain construction materials; (5) changes in supply of, or demand for, competing properties in an area (as a result, for instance, of over-building); (6) the financial condition of tenants, buyers and sellers of properties; (7) changes in availability of debt financing; (8) energy and supply shortages; (9) changes in tax, real estate, environmental and zoning laws and regulations beyond the control of Aalto; (10) various uninsured or uninsurable risks, including environmental and structural matters; (11) natural disasters; and (12) the ability of a Fund or third-party

borrowers to manage the real properties. With respect to investments in the form of real property owned by a Fund, the respective Fund will incur the burdens of ownership of real property, which include the paying of expenses and taxes, maintaining such property and any improvements thereon and ultimately disposing of such property. With respect to investments in equity securities, debt securities or other financial instruments, a Fund will in large part be dependent on the ability of third parties to successfully operate the underlying real estate assets. In addition, a Fund may invest in mortgage loans that are structured so that all or a substantial portion of the principal will not be paid until maturity, which increases the risk of default at that time. A Fund's investment strategy, which may frequently involve the acquisition of distressed or underperforming assets in a leveraged capital structure, will involve a high degree of legal and financial risk, and there can be no assurance that a Fund's rate of return objectives will be realized or that there will be any return of capital. There is no assurance that there will be a ready market for resale of investments because investments in real-estate-related assets generally are not liquid. Illiquidity may result from the absence of an established market for the investments, as well as from legal or contractual restrictions on their resale by a Fund. The possibility of partial or total loss of capital exists and investors should not subscribe unless they can readily bear the consequences of such loss.

*Concentration of Investments.* A Fund may at certain times hold relatively few investments. A Fund could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected, including default of the issuer.

*General Economic and Market Conditions.* The success of a Fund's activities will be affected by general economic and market conditions, such as house prices in the United States, rental rates, interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of a Fund's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of investments' prices and the liquidity of a Fund's investments.

*Tax Considerations.* Where a Fund invests in assets that are not subject to withholding tax at the time of the acquisition, there can be no assurance that tax may not be withheld in the future as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof. A Fund may not be able to recover such withheld tax and so any change may have an adverse effect on the Net Asset Value.

IT IS CRITICAL THAT INVESTORS REFER TO THE APPLICABLE FUND DOCUMENTS FOR A COMPLETE UNDERSTANDING OF THE MATERIAL RISKS INVOLVED IN AN INVESTMENT IN THE FUNDS, INCLUDING THE RISK OF FINANCIAL LOSS. THE INFORMATION CONTAINED HEREIN IS A SUMMARY ONLY AND IS QUALIFIED IN ITS ENTIRETY BY SUCH DOCUMENT.

## **ITEM 9 – DISCIPLINARY INFORMATION**

Aalto is required to disclose all material facts regarding any legal or disciplinary events that would be material to an investor's evaluation of Aalto or the integrity of its management. Aalto has no legal or disciplinary information to disclose at this time.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Neither Aalto nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. Furthermore, neither Aalto nor any of its management persons are registered, or have an application pending to register, as a futures



commission merchant, commodity pool operator, commodity trading advisor, or an associated person of such entities. Aalto serves as investment manager and adviser to the Funds. Affiliates of Aalto also invest directly in the Funds and employees of Aalto or its affiliates also invest indirectly in the Funds (through an affiliate). Aalto is involved in both Medium Term Super-Senior and Direct Lending for single family residential refurbishment and development. Aalto and its affiliates also manage several offshore funds that do not market to, or allow, US investors. Neither the lending business nor the offshore funds have any material impact on Aalto's advisory business in the United States.

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Aalto's Code of Ethics (the "Code") is designed to meet the requirements of Rule 204A-1 of the Investment Advisers Act of 1940 (the "Advisers Act"). The Code applies to Aalto's "Access Persons." Access Persons include, generally, any partner, officer or director of Aalto and any employee or other supervised person of Aalto (or an affiliate) who, in relation to the Funds, (1) has access to non-public information regarding any purchase or sale of securities, or non-public information regarding securities holdings or (2) is involved in making securities recommendations, executing securities recommendations, or has access to such recommendations that are non-public. All employees of Aalto and certain affiliates of Aalto are deemed to be Access Persons.

The Code sets forth a standard of business conduct that takes into account Aalto's status as a fiduciary and requires Access Persons to place the interests of the Funds and Investors above their own interests and the interests of Aalto and its affiliates. The Code requires Access Persons to comply with applicable U.S., federal securities laws. Further, Access Persons are required to promptly bring violations of the Code to the attention of Aalto's Chief Compliance Officer (the "Chief Compliance Officer"). All Access Persons are provided with a copy of the Code and are required to acknowledge receipt of the Code upon hire and on at least an annual basis thereafter.

The Code also sets forth certain reporting and pre-clearance requirements with respect to personal trading by Access Persons. Access Persons must provide Aalto's Chief Compliance Officer with a list of their personal accounts and an initial holdings report within 10 days of becoming an Access Person. In addition, Aalto's Access Persons must provide annual holdings reports and quarterly transaction reports in accordance with Advisers Act Rule 204A-1.

In addition, the Code seeks to ensure the protection of non-public information about the activities of the Funds. Investors or prospective Investors may obtain a copy of the Code by contacting the Chief Compliance Officer at [innes.harding@aaltoinvest.com](mailto:innes.harding@aaltoinvest.com).

As explained in Item 10 above, Aalto serves as investment adviser to the Funds. Aalto, its affiliates and certain Access Persons recommend interests in the Funds to prospective Investors.

The fact that Aalto, its affiliates and Access Persons may each have a financial ownership interests in the Funds creates a potential conflict in that it could cause Aalto and its affiliates to make different investment decisions than if such parties did not have such financial ownership interests. Such potential conflicts are addressed by the personal securities transaction pre-clearance and holding requirements described in this Item 11.

Aalto addresses these potential conflicts through regular monitoring of the Funds' portfolio and Investments for consistency with the Funds' objectives, strategies, and target capacity. Further, Aalto and its affiliates carefully consider the risks involved in any investments and provide extensive disclosure to clients regarding the potential risks that come with an investment in the Funds. The Code requires Access

Persons to place the interests of the Funds and Investors over their own or those of Aalto, its affiliates and all Access Persons are required to acknowledge their receipt and understanding of the Code.

Further, Aalto (or its affiliate) receives management and performance-based compensation. The management fees are payable without regard to the overall success or income earned by the Funds and, therefore, may create an incentive on the part of Aalto to raise or otherwise increase assets under management to a higher level than would be the case if Aalto was receiving a lower or no management fee. Performance-based fees may create an incentive for Aalto to make Investments that are riskier or more speculative than in the absence of such performance-based fee.

Access Persons are permitted to make securities transactions in their personal accounts. This presents potential conflicts in that an Access Person could make improper use of information regarding the Fund's holdings or future transactions or research paid for by the Funds. Aalto manages the potential conflicts of interest inherent in an Access Person's personal trading by rigorous enforcement of its Code, which contains strict pre-clearance and reporting guidelines for Access Persons. Aalto requires Access Persons to pre-clear all transactions in reportable securities (including limited offerings and initial public offerings) with the Chief Compliance Officer.

Aalto maintains a "Restricted List" with the names of issuers of securities about which Aalto (or its Access Persons) has learned material, non-public information. Access Persons are strictly prohibited from trading securities on the Restricted List (or any other securities to which the material, non-public information relates).

In addition, Aalto receives transaction and holdings reports in accordance with Advisers Act Rule 204A-1. The Chief Compliance Officer or his designee also reviews Access Persons' personal transaction and holdings reports to make sure each Access Person is conducting his or her personal securities transactions in a manner that is consistent with the Code.

## **ITEM 12 – BROKERAGE PRACTICES**

As described in Item 4, above, Aalto is the investment adviser to private real estate funds that invest in real estate assets. Due to the nature of the Funds' investment programs, Aalto and its affiliates do not select or recommend broker-dealers for Fund transactions.

Aalto does not utilize "soft dollars."

Aalto recognizes that, as a fiduciary, it has a duty to allocate investment opportunities among its private funds in a fair and equitable manner. It should be noted that, generally, Aalto is restricted to raising and investing only one fund at a time. However, from time to time certain funds may have overlapping investment programs. Although highly unlikely due to Aalto's investment program, if Aalto determines that it would be appropriate for more than one Fund to participate in an investment opportunity, Aalto will seek to allocate the investment opportunity to all of the participating Funds on a fair and equitable basis. Generally, investment opportunities will be allocated pro rata based upon each participating Fund's assets under management; provided, however, that Aalto, in its sole discretion, may make allocations based upon other considerations.

## **ITEM 13 – REVIEW OF ACCOUNTS**

The Funds' portfolio and Investments are under continuous review by Aalto's investment committee. Formal reviews occur by the investment committee on a monthly basis.

Generally, Investors will receive unaudited reports at least quarterly. In addition, Investors will receive annual audited financial statements within 120 days of the end of the relevant Fund's fiscal year (i.e., generally by April 30). Aalto will also hold annual meetings to provide Investors with the opportunity to review and discuss with Aalto (and its affiliates) the Funds' investment activities and portfolio.

## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

Neither Aalto nor its affiliates currently use placement agents for client referrals (though such parties or their affiliates may use placement agents in the future). Although unlikely, to the extent Aalto (or its affiliates) decide to engage the services of a solicitor in the future, such referral activities will be conducted in a manner that is consistent with Advisers Act Rule 206(4)-3 and relevant SEC guidance, including No-Action Letters.

## **ITEM 15 – CUSTODY**

Aalto is deemed to have custody of the Funds' assets pursuant to Advisers Act Rule 206(4)-2. To ensure compliance with Rule 206(4)-2 under the Advisers Act, Aalto provides audited financial statements to Investors within 120 days after the end of the relevant Funds' fiscal year (i.e., generally by April 30).

As Aalto's investment program exclusively involves investments in real estate assets, Aalto generally will be exempt from the requirement to maintain with a qualified custodian certain "privately offered securities," defined in paragraph (b)(2) of the Advisers Act Custody Rule as securities that are: (i) acquired from the issuer in a transaction or chain of transactions not involving any public offering; (ii) uncertificated to the extent ownership thereof is recorded only on the books of the issuer or its transfer agent in the name of the client; and (iii) transferable only with prior consent of the issuer or holders of the outstanding securities of the issuer. Partnership agreements, subscription agreements, and LLC agreements are not considered "certificates" for these purposes and the securities represented by these documents are "privately offered securities" provided they meet the other elements of paragraph (b)(2) of the Advisers Act Custody Rule (as set forth above).

To the extent that Aalto's investments in real estate assets involve securities that are certificated and are not exempt pursuant to the Custody Rule and additional SEC guidance, Aalto will maintain such certificates with a qualified custodian.

## **ITEM 16 – INVESTMENT DISCRETION**

Aalto has discretionary authority to manage cash accounts on behalf of the Funds. Aalto is authorized to make transaction recommendations for the Funds. Investors do not have the ability to impose limitations on the discretionary authority of Aalto.

## **ITEM 17 – VOTING CLIENT SECURITIES**

**Not applicable to Aalto.**

## **ITEM 18 – FINANCIAL INFORMATION**

**Not applicable to Aalto.**