



GILDER GAGNON HOWE & CO.

Members of the NYSE Euronext, FINRA and SIPC  
475 Tenth Avenue, New York, NY 10018

## Firm Brochure

Part 2A of Form ADV Brochure

March 12, 2018

This brochure provides information about the qualifications and business practices of Gilder Gagnon Howe & Co. LLC ("GGHC" or "Firm"). If you have any questions about the contents of this brochure, please contact us at: 212-765-2500, or by email at: [compliance@gghc.com](mailto:compliance@gghc.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 GGHC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Any reference to Gilder Gagnon Howe & Co. LLC as a "Registered Investment Advisor" or as being "registered" does not imply a certain level of skill or training.



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### MATERIAL CHANGES

As of December 31, 2017, Gilder Gagnon Howe & Co., LLC's founder, Richard Gilder retired from the firm.



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## ADVISORY BUSINESS

### Firm Description

Founded in 1968, Gilder Gagnon Howe & Co., LLC ("GGHC") is a registered investment advisor and registered broker-dealer.

GGHC operates with the goal of giving the small investor who possesses long-term patience and fortitude, an opportunity to create wealth. We seek to grow our clients' capital through actively trading in securities that have high potential returns over the long-term<sup>1</sup>. Investing in securities involves substantial risk, including risk of loss, and our approach to building wealth is not for everyone. Each client must understand and be willing to tolerate the risks that our strategy entails.

As described further in this brochure, GGHC applies this goal by providing ongoing discretionary investment advisory services to our clients. We approach this goal by managing only a portion of our clients' overall investable assets. GGHC manages all investments through separately managed client accounts.

The account type, Retirement or Non-Retirement, determines the account fee structure. For Non-Retirement accounts, GGHC receives commissions for each trade. For Retirement accounts, GGHC receives a management fee for the services provided to accounts (also called wrap-fee). GGHC standard commission and fee rates are not negotiable.

GGHC serves as an investment manager to and sponsor of a wrap fee program as described throughout this brochure. A wrap fee program is a program where a client is charged a specified "bundled" fee, which is generally a percentage of assets under management, for discretionary investment management services, trade execution exists and sometimes other services, such as custody, recordkeeping and reporting.

GGHC believes in owning as many promising stocks as possible, so it generally will purchase securities for clients on margin to the extent permitted by the client's account opening documents and applicable law. This means that, where permitted, GGHC will borrow money to purchase securities for the client, using the client's account as collateral. Since GGHC charges commissions on trades for most accounts (except Retirement accounts which are charged fees), increasing the

amount of assets at work for a client will increase GGHC's commission income as well.

Borrowing to invest can lead to losses greater than the account value if the market suddenly falls. This is because GGHC may have to liquidate securities during an unfavorable time in the market to repay the lender, which may cause exposure to risks that potentially exceed the initial investment. To attempt to reduce this exposure, GGHC will engage in short sales, which offer the opportunity to profit from falling stock prices.

Buying on margin and selling short have the virtue of increasing the client's dollars at work, while attempting to moderately reduce the client's exposure to abrupt swings in the market. In a short sale, GGHC borrows securities on behalf of a client's account. These securities are then immediately sold at market prices. If the market prices of the shorted securities fall, the client makes a profit because he or she only has to pay the new, lower price to purchase the stock that is returned to the lender.

Short selling is a risky strategy. Since the price of the stock sold short could increase without limit, there is theoretically no limit to potential losses from a short sale.

As GGHC is also registered as a broker-dealer, it buys and sells for its customers' accounts financial products such as stocks, bonds, options, and commodities for which it receives a commission. GGHC is an introducing broker to NFS for clearing and custody on a fully disclosed basis. The client always maintains asset control. Client has the control to withdrawal funds or close account at any time. GGHC has authority to determine, without obtaining specific client consent, the securities to be bought or sold, their amount, the contra broker-dealer to be used, and the commission rates paid.

### Principal Owners

No member of GGHC owns 25% or more of membership interests.

### Types of Advisory Services

GGHC provides ongoing discretionary investment advisory services to clients, with a specific focus on aggressive equity investing for a portion of a client's investable assets. GGHC's brokers exercise complete discretion over the investment of

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<sup>1</sup> GGHC focuses on stocks, with a minor emphasis on options and bonds.



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their clients' accounts, subject to each client's right to impose reasonable restrictions.

If a client is restricted from transactions in a specific security or industry due to an affiliation with a company, the account will be blocked from all transactions in that security or industry. However, GGHC may decide not to accommodate investment restrictions deemed unduly burdensome or materially incompatible with GGHC's investment approach. Client-directed investment restrictions could cause the performance of the account with restrictions to deviate from the performance of other similarly managed accounts.

GGHC employees who manage client accounts with discretion are referred to hereafter as "discretionary brokers."

While GGHC maintains a singular focus on achieving profits through aggressive equity investing, each discretionary broker decides how best to reach that goal for his or her clients. Each of GGHC's discretionary brokers works independently in determining his or her investment strategy and deciding which securities and other instruments to purchase, sell, or sell short. As a result, individual brokers may emphasize different strategies or sectors, take different positions in the same security (long or short), use differing levels of leverage, and may take more or less concentrated positions in particular securities. On occasion, different brokers within GGHC may buy, sell, or sell short the same security at the same time. This practice could adversely affect the price of the security in a client's portfolio. As part of GGHC's account application process, each client is given information about and interviewed by his or her intended discretionary broker. Clients should use this opportunity to learn about the broker's investment strategy.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) may be engaged directly by the client on an as needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

## Investment Strategy

As stated throughout this brochure, GGHC's overall goal is capital appreciation through growth stock investing<sup>2</sup>. GGHC

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<sup>2</sup> GGHC focuses on stocks, with a minor emphasis on options and bonds.

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does not follow the typical "buy and hold" strategy to achieve long-term growth.

Depending on the client's objective, they can open a margin (considered aggressive growth and is commission-based), cash (considered growth and is commission-based) or retirement account (wrap/fee-based)

GGHC client accounts will generally see frequent trading activity as GGHC searches for growth opportunities which are worth holding on to. Because GGHC's revenue is derived principally from commissions associated with effecting trades. GGHC's is financially incentivized to trade customer accounts frequently. However, GGHC believes that variable, idea-based compensation facilitates the search for the growth opportunities that are worth holding on to. For more information on Investment Strategies see section under Methods of Analysis, Investment Strategies and Risk of Loss.

## Assets Under Management

As of December 29, 2017, GGHC had \$6,079,449,756 of assets under management on a discretionary basis for 7,010 client accounts. GGHC also had \$258,068,659.35 of assets on a non-discretionary basis for 221 client accounts.

## Types of Agreements

The following agreement defines the typical client relationship:

### INVESTMENT ADVISORY AGREEMENT

Each client signs an Investment Advisory Agreement and a limited power of attorney granting GGHC discretion to purchase and sell securities and other instruments and obligations for the client's account<sup>3</sup>. The Investment Advisory Agreement provides, in part, that GGHC will not be liable for honest mistakes in judgment, for losses due to such mistakes, or for any other loss or damage arising out of, or based upon any act or omission by GGHC, unless GGHC has knowingly violated any applicable law, or is adjudged to have been negligent or to have engaged in willful misconduct. Of course, federal and some state securities laws may impose liabilities under certain circumstances on persons who act in good faith, and nothing in the agreement constitutes a waiver or limitation

<sup>3</sup> This is called the Trading Authorization, which is included in GGHC's Account Agreements



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of any rights that a client may have under applicable federal or state securities law.

Each client must establish a brokerage account at GGHC's custodian, National Financial Services ("NFS") and deposit cash and/or securities in their account. NFS will maintain custody of the assets in the client's account while those assets are managed by GGHC. GGHC will not accept unsolicited orders from clients for a discretionary managed account. Clients may open a non-discretionary account to facilitate unsolicited orders, subject to limitations set by the broker. Clients should read their brokerage agreements carefully for complete information about the terms and conditions of their NFS accounts.

### TERMINATION OF AGREEMENT

At any time, a client may terminate GGHC's Investment Advisory Agreement by providing GGHC with written notice. GGHC may terminate the Investment Advisory Agreement upon delivery of 30 days' written notice. Unless otherwise mutually agreed to by GGHC and the client, upon termination, we will commence an orderly liquidation of the securities and any other non-cash assets in the account in the normal course of business. The risks associated with such liquidation will be borne exclusively by the client, as will any commissions resulting from the liquidation<sup>4</sup>.

### FEES AND COMPENSATION

#### Description

GGHC's charges fees for its investment advisory services and these fees are specified in the client's investment advisory agreement with GGHC. The fee structure will vary depending on the type of account and are not subject to negotiation. Generally, the different types of accounts, regardless of the fee structure, are treated similarly. Said differently, trades that include commission paying and non-commission paying (or fee based accounts) are aggregated and allocated using procedures set forth.

Clients who maintain a Non-Retirement account are charged commissions on each transaction (buy and sell). The amount of commission charged on each trade generally depends on the

size of the trade and the type of security. Certain types of trades or accounts qualify for standard discounts, which are described following the commission schedule. Except where specifically noted, all commissions charged are subject to a limit of 2% of the principal amount involved in the trade (except for de minimis deviations due to rounding). GGHC pays the cost of execution, which is less than the amount of commissions charged to clients. Commissions paid by clients include the cost of investment advisory, custody and brokerage services (Please refer to the heading *Other Fees* for trades executed in foreign markets). Commissions may from time to time be discounted at the sole discretion of the representative managing the account. The fee schedule is set forth below. Clients who maintain a Retirement account, are charged a bundled or "wrapped" fee based on the account's assets under management. Fees are paid monthly in arrears.

Portfolio turnover in client accounts will vary, depending on which discretionary broker the client uses, whether the client opens a margin or cash account (margin accounts typically will experience higher turnover rates), and market conditions. The annual turnover in margin accounts generally exceeds 100%. In times when discretionary brokers trade more frequently, wrap program accounts will likely benefit, which may have a positive effect on performance. In times when trading is less frequent, commission-paying accounts will benefit, which may have a positive effect on performance.

### FEE SCHEDULE - NON-RETIREMENT ACCOUNTS

For Non-Retirement accounts, commissions are charged per trade on a sliding scale with a maximum of 2% (except for de minimis deviations due to rounding). The table below illustrates the range of commission rates (right column) against the range of principal trade values (left column). Commission rates decline gradually as principal trade values increase.

| Principal Trade Value |         | Commission Rate |         |
|-----------------------|---------|-----------------|---------|
| From                  | To      | From            | To      |
| 0                     | \$3,000 | 2.0000%         | 2.0000% |
| \$3,000               | \$6,000 | 2.0000%         | 1.9418% |

<sup>4</sup> Commissions are charged on non-retirement accounts. See section titled "Commission Schedule".



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|             |              |         |         |
|-------------|--------------|---------|---------|
| \$6,000     | \$10,000     | 1.9418% | 1.9367% |
| \$10,000    | \$20,000     | 1.9367% | 1.8292% |
| \$20,000    | \$40,000     | 1.8292% | 1.4578% |
| \$40,000    | \$60,000     | 1.4578% | 1.2762% |
| \$60,000    | \$100,000    | 1.2762% | 1.0970% |
| \$100,000   | \$200,000    | 1.0970% | 0.9868% |
| \$200,000   | \$400,000    | 0.9868% | 0.9039% |
| \$400,000   | \$1,000,000  | 0.9039% | 0.8948% |
| \$1,000,000 | \$2,000,000  | 0.8948% | 0.8144% |
| \$2,000,000 | \$5,000,000  | 0.8144% | 0.8005% |
| \$5,000,000 | \$10,000,000 | 0.8005% | 0.5000% |

*\*The principal of trades generated from the same order are aggregated for the purpose of calculating commission rates. Example: Versus purchase trades.*

To illustrate how the fee schedule works, a trade done for \$15,000 in principal is halfway between \$10,000 and \$20,000; the commission rate charged will therefore be halfway between 1.9367% and 1.8292% (approximately 1.8830%).

## Other Commissions (2% Limit)

Options—GGHC's standard commissions on option trades are based on the premium price (the price paid to the issuer of the option for granting the rights, which are separate from and in addition to the exercise price). If the option premium is less than or equal to \$5.00, the commission is 2% of the premium. If the option premium is greater than \$5.00, the commission is \$10 per option.

Bonds—the commission on bond trades is \$1.00 per \$1,000 face value, with a \$400 maximum.

Futures—the commission on futures trades is \$43.00 per contract.

Non-Discretionary trades—the commission for non-discretionary trades is calculated at \$.05 per share. Insider accounts commission is calculated at \$.025 per share.

## Discounts

GGHC applies the following standard commission discounts to all accounts and trades that qualify. If a trade qualifies for more than one discount (e.g., it is a new account and receives a turn-

around discount), only the discount yielding the biggest savings for the client will be applied.

## TURN-AROUND COMMISSION DISCOUNT

This applies to a closing trade within 90 days of a commission paying opening trade, or an opening trade within 90 days of a commission paying closing trade. (Note: discounts are applied on a LIFO –Last In First Out basis, share for share.) However, the discount is not applied if the direction of the trade has changed (e.g., were long but are now going short). If the trades are within 0 through 21 days, the closing trade receives an 87.5% discount. If the trades take place after the 21<sup>st</sup> day, the discount is reduced by 1.25% for each day after the 21<sup>st</sup> until it is eliminated on the 91<sup>st</sup> day. Therefore, day 22 receives an 86.25% discount; day 23 receives an 85% discount.

## NEW ACCOUNT DISCOUNT

All trades in new accounts will receive a 50% discount on initial investments. This discount applies to trades done from the first day of trading through the 90<sup>th</sup> day.

## LARGE PURCHASE DISCOUNT (NEW INVESTMENTS)

All opening trades for all new and existing accounts receive a 50% discount if the total opening trade value of the day (trades are assigned to the day they were submitted, not the day they were executed) exceeds 25% of the account's start of day **market value**.

## LARGE SALE DISCOUNTS (LIQUIDATIONS)

All closing trades for the day receive a 50% discount if the total trade value for the day (trades are assigned to the day they were submitted, not the day they were executed) exceeds 25% of the account's start of day total **market value**.

## INSIDER ACCOUNTS

This applies to employee and related accounts of family members (spouses, parents, siblings, children, in-laws, dependents, and any account over which an employee has beneficial or financial interest). The standard insider discount is 50%. Employees who are Members of GGHC and their spouses do not pay commissions on accounts they manage for themselves.



## GGHC Employees' Profit Sharing Plan

GGHC's Employees' Profit Sharing accounts are not insider accounts. GGHC Employees' Profit Sharing Accounts are client accounts and as such receive client average price on trades which could adversely affect the client average price. GGHC Employees' Profit Sharing accounts do not pay commissions or management fees.

## No Commissions

GGHC does not charge commissions on purchases of securities in syndicate offerings or when "bought-in" on short positions. GGHC does not accept selling concession from underwriters in connection with client purchases of IPO shares. GGHC does not charge commissions when exercising options.

## Fee Schedule—Retirement (ERISA) Accounts

Retirement accounts will be charged a fee based on a percentage of assets under management as set forth in the following table:

| Asset Value Client Accounts  |             | Fee Percentage |
|------------------------------|-------------|----------------|
| From                         | To          |                |
| \$0                          | \$1,000,000 | 3%             |
| \$1,000,000.01               | Above       | 2.5%           |
| Asset Value Insider Accounts |             | Fee Percentage |
| From                         | To          |                |
| \$0                          | \$1,000,000 | 1.5%           |
| \$1,000,000.01               | Above       | 1.25%          |

GGHC utilizes a System provided by NFS to calculate and charge fees. These fees are based on the equity reported on the account's trade date balance and calculated on a pro-rated monthly basis. Fees are charged to a client's account on the seventh business day of the next month. Fees are calculated based on calendar year days.

The month the account is funded, the fee charged will be prorated for the period the number of days the money was in the account. Managers, at their discretion, may raise the funds in the account to cover the fee if there are no funds available in the account. If the full fee amount is not available on the charge

date, account will be debited the amount that is available on that date. Any fees not satisfied in full, will continue to be charged through the remainder of the month as funds become available. Account will be charged any residual amount owed during the period until pending fee becomes zero or until one day prior to the next fee charge date the following month. Any residual fees not charged in full by the end of the period will be forgone. All accounts are charged as long as they are open and funded. GGHC will perform an independent fee calculation for reconciliation of fees charged.

## Deduction of Fees

All fees and commissions are deducted from the accounts. For Non-Retirement accounts commissions or transactional fees are deducted from the account at the time of the trade and are disclosed only on the trade confirm and not on the account statements provided by NFS. Retirement account fees are deducted each month in arrears and are shown on the account monthly statement provided by NFS.

## Other Fees

The client pays NFS interest on any margin loans. GGHC has negotiated low margin borrowing rates on behalf of its clients. Clients benefit from a margin rate significantly below the rate typically charged by other broker-dealers.

Certain securities that a discretionary broker may wish to sell short for client accounts may be difficult to borrow. In such cases, lenders can charge a fee to borrowers. GGHC customers will pay the fees charged for hard to borrow securities to effect short sales in their accounts. Similarly, when you own securities that others want to short, you will get paid for lending them. GGHC customers will receive the revenue from fees when loaning out securities from their account. Every account is different and each client has a different mix of hard-to-borrow shorts and longs. Rates change over time, resulting in accounts being either net charged or receiving a net credit. The rates are determined by Fidelity Capital Markets specific to the hard to borrow security based on a third party average wholesale benchmark rate or other criteria reasonably determined by Fidelity Capital Markets and agreed to by GGHC. GGHC will monitor these costs and revenues and will maintain positions only when we think the potential return is worth the present cost of holding the position. Please see paragraph *Revenue Sharing between NFS and GGHC* within section *Other Compensation* (page 27) for more information.

When NFS acts as custodian and an IRA or Keogh account closes, NFS charges the client a \$125.00 termination fee.





Separately, additional expenses are incurred by a client when investing in issues traded on foreign exchanges. Customary charges for investing in foreign countries such as country taxes and levy taxes, access to foreign market fees, commissions to foreign brokers, transaction fees, stamp taxes and currency conversion fees are included in the US dollar denominated price the client pays. Currency exchanges may be effected by Fidelity FOREX, Inc. on a principal basis. Fidelity FOREX, Inc., an affiliate of NFS, may impose a commission or markup on the prevailing interbank market price. Fidelity FOREX may in turn share a portion of any foreign exchange commission or markup with NFS and/or FBS. The currency exchange rate applicable to any foreign security trade is available upon request. The local broker in a foreign securities transaction may be Fidelity Clearing Canada, ULC, an affiliate of NFS and FBS. The "Selecting Brokerage Firms" section below describes circumstances under which GGHC receives research services from brokers with whom GGHC executes trades.

## PERFORMANCE-BASED FEES

GGHC does not charge any performance-based fees<sup>5</sup>

## TYPES OF CLIENTS

GGHC provides investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, LLC's, partnerships and investment clubs. Client relationships vary in scope and length of service.

## Account Minimums

Generally, GGHC does not impose a minimum dollar value of assets or other conditions for opening or maintaining an account. However, some of GGHC's discretionary brokers at their preference do impose a minimum dollar value for starting or maintaining an account with that discretionary broker.

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

### Methods of Analysis

GGHC takes a general research-intensive approach in identifying potential investment opportunities, combining various methods of securities analysis as part of the due diligence process.

GGHC various methods of securities analysis, includes fundamental and technical analysis. Fundamental analysis is a method of security valuation which involves examining a company's financials and operations, especially sales, earnings, growth potential, assets, debt, management, products, and competition. Fundamental analysis takes into consideration only those variables that are directly related to the company itself, rather than the overall state of the market. Technical analysis is the study of relationships among security market variables, such as price levels, trading volume, and price movements, so as to gain insights into the supply and demand for securities. Rather than concentrating on earnings, the economic outlook, and other business-related factors that influence a security's value, technical analysis attempts to determine the market forces at work on a certain security or on the securities market as a whole.

GGHC uses a proprietary quantitative screening and analysis system that provides an economic versus accounting-based analysis of a number of performance risk, and valuation based metrics. Proprietary research is also a critical element to GGHC's investment process and is generally a key component for its investment decisions. No method of securities analysis can guarantee a particular investment result or outcome and the use of investment tools cannot and does not guarantee investment performance.

GGHC has two critical objectives in managing portfolios. The first objective is to mitigate market risk and the second objective is to mitigate investment risk. GGHC seeks to mitigate market risk by employing hedging strategies that include the use of exchange-listed options and short sales. To reduce investment risk, GGHC seeks to diversify portfolios across types

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<sup>5</sup> Performance fees are fees based on a share of the capital gains or capital appreciation of the assets of an account



of investments and risk, use position limits and limit leverage. To further mitigate investment risk, each position is actively monitored on a daily basis.

## Investment Strategies

As stated throughout this brochure, GGHC's overall goal is capital appreciation through growth stock investing<sup>6</sup>. Depending on the client's objective, they can open a margin (considered aggressive growth and is commission-based), cash (considered growth and is commission-based) or retirement account (wrap/fee-based)

GGHC uses the following strategies to implement its overall goal:

- Long-term purchases (securities held at least a year);
- Short-term purchases (securities held less than one year),
- Trading (securities sold within 30 days),
- Short sales (borrowed securities are sold)<sup>7</sup>,
- Margin transactions (securities are borrowed against and the borrowed funds are used to purchase more securities)<sup>4</sup>; and
- Option transactions.

In addition to the strategies noted above, GGHC's discretionary brokers may take certain actions with respect to a client's portfolio in an effort to manage the client's tax liabilities associated with the client's account. For example, a discretionary broker may cause a client to sell certain securities toward the end of the year in order to take a tax loss, and then may repurchase those securities later, in a manner that would not be treated as a wash sale under the Internal Revenue Code. In order to permit as many clients to participate in tax-saving trades as possible, GGHC may affect cross trades among client accounts in a manner consistent with applicable law and its investment advisory agreements with clients. Tax strategies and cross trades are not effected in Retirement type accounts.

## Risk of Loss

GGHC believes that investing in securities and other financial instruments involve a degree of risk that can be substantial, including the risk of total loss that each client should be prepared to bear. While GGHC devotes its best efforts to the

management of its clients' accounts, there is no assurance or guarantee that the accounts will not incur dramatic losses. Investments in the markets may experience extended periods of loss.

The following is a summary of the principal risks associated with the investment strategies employed by GGHC. Please note that certain risks, other than Risk of Loss, may not apply to all GGHC strategies or may apply to a material degree.

**Market Risk:** The profitability of any investment is affected by general economic conditions (both tangible and intangible), independent of a security's underlying circumstances, which may affect the level and volatility of interest rates and timing of investor participation.

**Interest-Rate:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

**Inflation Risk:** When any type of inflation is present, a dollar next year will not buy as much as a dollar today, because purchasing power is eroding at the rate of inflation.

**Currency or Exchange Rate Risk:** Changes in foreign currency exchange rates are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. As such, the value of client accounts, which are invested in foreign currencies may rise and fall due to exchange rate fluctuations with respect to the relevant currencies. Devaluation of a currency by a country's government or banking authority will have a significant impact on the value of any investment denominated in that country.

**Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

**Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of

<sup>6</sup> GGHC focuses on stocks, with a minor emphasis on options and bonds.

<sup>7</sup> Margin and short selling are not strategies in Cash and Retirement type accounts



customers who buy electricity no matter what the economic environment is like.

**Liquidity Risk:** At times, client accounts may be invested in illiquid, thinly traded securities, which are securities that are not readily marketable, resulting in the inability to dispose of these securities promptly or at an advantageous price. Because of our growth strategy, some companies or investments in which our clients invest may not be well known, may have few shares outstanding, or may be particularly susceptible to political and economic events.

**Financial Risk:** Excessive borrowing to finance a business's operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

**Margin Risk:** Borrowing to purchase stocks increases a client's leverage allowing the client to purchase more stock than the client could purchase for cash. However, borrowing increases levels of market risk which may cause a greater drop in an investment and margin loans must be repaid regardless of the underlying value of the securities purchased. Margin accounts also have minimum maintenance requirements. If the equity in a margin account falls below the minimum amount, the broker-dealer will issue a maintenance call requiring an additional deposit in cash or acceptable collateral. There is no extension of time on a margin call. Failure to meet a margin call may force a broker to sell some or all securities in an account without the client's approval. Margin Trading may result in losses greater than the account value.

**Option Risk:** Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. The price of an option, which is a function of interest rates, volatility, dividends, the exercise price, stock price and other market factors may change rapidly over time. Price valuations or market movements may not justify purchasing put options on individual securities, stock indexes and ETFs, or, if purchased the options may expire unexercised, causing the client to lose the premium paid for the option.

**Fee Risk:** With respect to accounts that pay commissions, a high portfolio turnover rate increases transaction costs and also may result in the realization of more short-term capital gains than if there were lower portfolio turnover.

**Foreign/International Investments Risk:** Foreign investments involve a broad range political, economic, legal tax and financial

risk in addition to those affected by domestic/U.S. companies. Specific additional risks include imposition of new or amended government regulations, changes in diplomatic relations between the U.S. and another country, political and economic instability, the imposition or tightening of exchange controls or other limitations on repatriation of foreign capital or nationalization, and/or increased taxation or confiscation of investors' assets. Further, foreign investments may be subject to fluctuations in the value of the issuer's local currency and may be subject to foreign withholding and other taxes.

**Emerging or Frontier Investments Risk:** Investing in an emerging or frontier market involves additional risks and special considerations not typically associated with investing in other more established economic or securities markets. Emerging or frontier markets differ from other large economies in many respects, including the level of development, growth rate and allocation of resources.

Such risks may include increased risk of nationalization, greater social, economic and political uncertainty (including war), higher dependence on exports, greater volatility, less liquidity and smaller capitalization of securities markets, greater volatility in currency exchange rates, greater risk of inflation, less extensive regulation of securities markets, longer settlement periods for securities transactions and less reliable clearance and custody arrangements, and less developed corporate laws regarding fiduciary duties and internal controls regarding the accuracy of financial reporting.

The value of clients' investments may be adversely affected by uncertainties associated with international political developments. Specifically, changes in political, economic and social conditions and government policies, may have a substantial detrimental impact on our clients' investments (for example Asia or sub-Saharan African countries).

**Local Intermediary Risk:** A client's transactions may be undertaken through local brokers, or other financial institutions in emerging or frontier markets, and as such, clients may be subject to the risk of default, insolvency or fraud of such organizations. There can be no assurances that any money advanced to such organizations will be repaid or that clients would have any recourse in the event of default.

**Short Selling Risk:** A short sale involves the sale of a security that you do not own with the hope of purchasing the same security at a later date at a lower price. If the manager buys back a security it has sold short at a higher price, the client will incur a loss on the transaction. Because the loss on a short sale stems from increases in the value of the security sold short, the extent of such loss is theoretically of the security increases, a loss will



occur, potentially losing more money than the actual cost of the investment.

**Operational Risk:** Ability to transact business may be negatively impacted due to operational risks. Such risks are wide-ranging, and include risks associated with inadequate systems, management failure, control inadequacy, fraud, human error and cybersecurity. Potential events which may lead to increased operational risk include management changes, development of new products, use of third-party service providers, failures in automated systems used in key business processes, business continuity disruption and changes in the legal or regulatory environment.

**Legal and Regulatory Risk:** Legal and regulatory changes could occur which may adversely affect the performance of clients' accounts. The SEC, self-regulatory organizations and change are authorized to intervene, directly and by regulation, in certain markets, and may restrict or prohibit certain market practices currently engaged in (or which may be engaged in). It is impossible to predict what additional interim or permanent government restriction may be imposed on the market and/or the effect of such restrictions on the strategies.

The forgoing list of risk factors does not purport to be a complete explanation of the risks in an investment or GGHC's strategy or any implementation of the strategy (cash, margin, wrap).

## RISKS ASSOCIATED WITH GROWTH INVESTING

GGHC's overall investment strategy carries risks that are unique to this strategy. Investing in growth stocks are based on future expectations and are vulnerable to economic, market and industry changes and may not realize earning profits in the foreseeable future. Investments in growth stocks tend to be investments in smaller or mid-sized companies, which as discussed in the Risk of Loss section, these securities typically trade less frequently than larger companies. Because of the vulnerability and liquidity concerns, there may be greater and more frequent changes in their stock price. In down markets, smaller or mid-sized companies' share prices come under great pressure. The lack of marketability, lower than average dividends, and unfamiliarity to the investing public of these stocks may outweigh the growth potential. The outlook of a smaller or mid-sized company can deteriorate suddenly. Turnaround companies, rather than growing favorably, sometimes fall deeper into trouble; cyclical companies may fail to bounce; new issues flounder; and new products disappoint.

This may cause discretionary brokers to sell unsuccessful positions at substantial losses.

## DISCIPLINARY INFORMATION

To the best of GGHC's knowledge, there has been no legal or disciplinary events material to a client's or prospective client's evaluation of the Firm's business or the integrity of the Firm's management.

## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### Financial Industry Activities

In addition to its discretionary brokerage business, GGHC may execute trades for institutional accounts over which it does not exercise discretion or give investment advice. GGHC accepts purchase and sell orders from these customers and executes the trades, with National Financial Services acting as clearing broker.

Some clients also have non-discretionary brokerage accounts with GGHC held at NFS. Clients typically use this accommodation to invest a portion of their assets more conservatively in securities such as U.S. Treasury securities. Any advice provided to clients in connection with these investments is solely incidental to the brokerage services provided.

### Affiliations

GGHC is a registered investment adviser, registered broker-dealer, and member of FINRA. GGHC acts as broker when effecting transactions for its clients, as reflected in the client's written contracts with GGHC. The Firm acts only as agent in connection with client transactions, and not as principal. GGHC does not act as a market maker in any security and does not issue research reports. GGHC is also a registered Portfolio Manager in the jurisdictions of British Columbia, Quebec and Ontario, Canada.

Neither GGHC nor its management personnel have any material relationship or arrangement to its advisory business with any related person who is a broker-dealer (as noted above GGHC is also a broker-dealer), investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships.



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

### Code of Ethics

GGHC's Code of Ethics ("Code"), adopted pursuant to Rule 204A-1 under the Advisers Act, confirms GGHC's commitment to employing a high and ethical standard. The foundation of GGHC's Code is based on the underlying principles that employees must, at all times, place the interests of the clients first. GGHC demonstrates this commitment by taking measure to ensure the confidentiality of Client information, prohibition of illegal insider trading and market manipulation, the acceptance of gifts, and the scrutiny applied to the personal investments and other outside activities of employees.

Aspects of GGHC's personal trading policy includes:

- All GGHC employees are considered "restricted persons" under FINRA rules and are not permitted to purchase equity securities in any initial public offering.
- It requires officers and employees to report their personal securities transactions periodically, and their holdings upon commencement of employment with GGHC, with certain exceptions to Compliance, as provided under Securities and Exchange Commission regulations.
- Members and Employees are permitted to purchase securities in a private placement with preapproval from Compliance. There may be times when the same securities will be purchased for clients on or after the IPO. This may result in the Member or Employee receiving a better price than the clients. Shares purchased with approval must be delivered to an account at GGHC in order to effectively monitor trading activity. Members or Employees must get approval from Compliance before selling any of the shares received in the private placement. Shares purchased by Members or Employees after the IPO will trade *pari passu* with the clients.

GGHC's Code defines **fiduciary responsibilities** and bans making untrue or fraudulent statements or material omissions, the misuse of material nonpublic information and other **unethical practices**. The Code also details GGHC's policies on gifts and entertainment, political contributions, training, education, and recordkeeping.

A copy of the Code is available for review by clients and prospective clients upon request (submit a request to GGHC's Chief Compliance Officer at [compliance@gghc.com](mailto:compliance@gghc.com)).

### Participation or Interest in Client Transactions

GGHC, as a firm, does not invest for its own account. However, GGHC personal trading policy allows members and employees to invest in their own accounts. As explained in more detail below, GGHC's policies regarding personal investment activity distinguishes between the accounts of discretionary brokers, traders and members, on the one hand, and the accounts of all other employees on the other. The Code of Ethics imposes the same conditions on the personal investment accounts of all GGHC employees, and other investment accounts that they are deemed to control, such as certain accounts of employees' family members. Employees are permitted to invest in securities on their own under certain, very specific circumstances. Investments in mutual funds or municipal securities are exempt from this policy and those securities may be held by employees. Members and Employees are also permitted to purchase securities in a Private Placement with preapproval from Compliance (see above). The following rules apply to **non-discretionary** employee accounts:

- Discretionary broker who maintains the account will be held responsible for ensuring compliance with these rules along with the account holder.
- The account must hold the security for 30 days, with certain exceptions approved by the Chief Compliance Officer.
- Orders to buy or sell must be given to the discretionary broker or their allocator to be entered for execution. GGHC's Compliance Department keeps a record of these orders.
- The account cannot take a position in a security held by GGHC client accounts if there is an active order in the security. An employee may buy a security held by GGHC client accounts after confirming with the other discretionary brokers and GGHC's Trading Department to make sure no one is trading in the security. The one day rule also applies\* (see below).
- If an employee buys a security and then any discretionary broker buys the same security for their clients, the employee must first check with the discretionary broker who holds the position for his/her clients to make sure they are not contemplating selling before the employee can enter order to sell.





GGHC discretionary brokers, traders and certain members may exercise discretion over the investments for their own accounts (“Self-Managed Accounts”), or they may have another GGHC discretionary broker manage all or a portion of their accounts (“Peer-Managed Accounts”).

\*GGHC trading procedures generally prohibit a discretionary broker from purchasing or selling a security for a client account within one day of purchasing or selling the same security for any employee account, including his or her own account (“one day rule”). A discretionary broker generally will treat and trade the Peer-Managed Accounts that they manage identically to the accounts of clients that he or she manages, subject to differences due to client-specific investment restrictions such as cash flow into and out of the account, the availability of certain securities, GGHC’s trade allocation procedures and other factors. Self-Managed Accounts may or may not be invested in the same securities as those client accounts managed by the same discretionary broker. [The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of GGHC will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between GGHC and its clients.]

GGHC does not hold securities in inventory and does not affect securities transactions on a principal basis with the Firm’s clients even on a “riskless” basis. If such principal transactions were to be effected, GGHC would give the client advance notice and obtain client consent insofar as it is required under Section 206(3) of the Investment Advisers Act of 1940.

Subject to the provisions of Rule 206(3)-2 of the Investment Advisers Act of 1940, GGHC may arrange “agency cross” transactions between GGHC client accounts, whether of the same or different discretionary broker, in accordance with the client’s investment advisor agreement. Such “agency cross” transactions will only occur if the discretionary broker believes it to be in the best interest of the clients. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser acts as broker for both the advisory client and for another person on the other side of the transaction. For agency cross transactions no commissions are charged. Retirement plan accounts will not participate in cross transactions.

## BROKERAGE PRACTICES

### Selecting Broker-Dealers for Client Transactions Firms

GGHC has discretionary authority to manage client accounts, including the authority to decide which brokers or dealers are used for a particular transaction and commissions paid. Generally, GGHC selects broker-dealers in accordance with the goal of obtaining best execution for its clients (see Best Execution paragraph below for further information), meaning, GGHC seeks to obtain prompt execution of orders at the most favorable prices that can be reasonably obtained (note that cheapest is not always best). To achieve the goal of obtaining best execution, GGHC develops and maintains a select group of brokerage institutions to execute trades. Establishing such a group of brokerage institutions provides GGHC with the flexibility to compete trades to seek best execution, diversify exposure across a spectrum of institutions.

Before working with a brokerage institution and on an on-going basis, GGHC evaluates certain qualifications of these institutions across three main dimensions; (1) professional expertise and competence; (2) pricing of services; and (3) financial stability.

Consistent with its efforts to obtain best execution of each trade, GGHC will also consider the desirability of having access to analysts employed by, and conferences sponsored by, various broker-dealers in deciding which firms to trade with. GGHC may try to execute enough trades with certain broker-dealers to attain access to their analysts and conferences, provided those broker-dealers also provide best execution for GGHC’s trades. However, GGHC pays for any costs associated with research products or services it obtains from third parties out of its own resources, except for certain trades executed in foreign markets.

NASDAQ orders generally will be directed to the market maker or electronic trading network that can provide the best price based on the size of the order and their ability to execute the trade in an orderly manner. Exchange listed issues will be viewed on the available pricing services to determine if there is a market for the issue off the exchange that offers a price improvement over the listed market.

Orders which GGHC believes require more execution skill are allocated to broker-dealers primarily on the basis of their execution capability.



Commissions and management fees paid by clients include the cost of investment advisory, custody and brokerage services related to the entry, execution and handling of trades except for certain trades executed in foreign markets.

GGHC does receive client referrals from a broker-dealer or third party. Further, GGHC does not recommend, request or require that a client direct the firm to execute transaction through a specified broker-dealer.

## Research and Other Soft Dollar Benefit

As noted in the above paragraph, GGHC's primary objective is to obtain best execution of orders for clients (see *Best Execution* section below for further information). However, from time to time GGHC directs orders to certain brokers for execution and obtains research that could assist GGHC in its investment-related decision making. This activity, where commission-generating customer orders are sent to third-party brokers and a firm receives research services as a benefit, is referred to as "soft dollars." GGHC maintains an ongoing commitment to obtain best execution for its clients and the receipt of research services in the form of soft dollar benefits are ancillary to where the firm direct orders.

To the extent that the receipt of any ongoing brokerage or research services by GGHC may be deemed a soft dollar arrangement, the arrangement will fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act"). For this purpose, and consistent with Section 28(e) of the Exchange Act, "research" is considered to include, among other things, (1) written reports analyzing a particular company or its stock; (2) access to research analysts for the purpose of discussing the advisability of making certain investments; (3) access to corporate representatives to discuss their company's performance; (4) access to conferences, seminars, etc., relevant to obtaining information about companies, industries, securities, and other applicable subject matter; and (5) corporate governance research relevant to such things as a company's performance outlook.

Neither the provision of research services by, nor the amount of customer order flow sent to, any particular broker is governed by any formal agreement that commits GGHC to compensate such broker for such research services. Use of any third-party broker is purely at GGHC's discretion and in accordance with its Best Execution policy. If GGHC receives soft-dollar related research, the Firm would not distinguish between customers in its use of soft dollar-related research; in other words, the benefits received from such research is intended to be used in connection with GGHC's overall

investment decision-making process and, therefore, is potentially beneficial to any and all customer accounts.

With respect to orders in US securities, GGHC customers do not pay higher commissions for execution of orders sent to third-party brokers that provide soft dollar research services. With respect to orders in foreign securities, GGHC's decision to send an order to a particular non-U.S. broker may be based on the belief that the broker is best positioned to facilitate execution of the order, and also has research services. Certain non-U.S. brokers do not specifically break out commission charges when reporting executions. Orders sent to some such brokers will result in additional costs being borne by the customer. Regardless, when GGHC directs an order to a non-U.S. broker that may result in an increase in the customer's cost, it is based on a reasonable belief by GGHC that the broker can provide the most advantageous execution overall, and that, considering all relevant factors, the cost to the customer is reasonable and consistent with GGHC's ongoing best execution efforts. Ultimately, these costs may impact the account return. Further information on fee breakdown can be provided upon request by contacting: [compliance@gghc.com](mailto:compliance@gghc.com).

The types of products and services GGHC has acquired with soft dollars within the last year include having access to analysts employed by, and conferences sponsored by, various broker-dealers. GGHC also purchases research with hard dollars, which may include direct access to analysts and meetings or conferences they provide.

## Best Execution

GGHC seeks to obtain best execution for each trade. In determining whether an execution represents the best overall result for its clients, GGHC considers factors, including, but not limited to speed, confidentiality and execution price. GGHC pays the cost of execution. Because of GGHC's compensation structure, commission cost is not a factor in seeking best execution. GGHC maintains a Best Execution Committee which meets at least quarterly to review the quality of executions obtained from the third-party brokers it has utilized. To facilitate this review, GGHC has retained an independent consultant, Global Trading Analytics (GT Analytics), to compile data analyzing third-party brokers' executions against comparable information for industry peers. Using information compiled from both GGHC internal systems and industry sources, average prices, volume-weighted average prices and time-stamped benchmarks are determined for comparative purposes. Depending on the results of the Best Execution Committee's review, GGHC may decide to discontinue using



certain brokers, regardless of the availability of research services they may provide.

## Order Aggregation and Allocation Policy

### SINGLE BROKER TRADES

Generally, each GGHC discretionary broker will purchase or sell the same securities for several clients at approximately the same time. Where possible, orders to purchase or sell the same security for multiple accounts of the same discretionary broker are aggregated for execution and aggregated for average price to clients. GGHC determines through their allocation system, which accounts should participate in an aggregated order and how to allocate the order among the participating accounts systematically, considering all relevant factors, including: account size, risk profiles of the accounts using GGHC derived formulas for risk and leverage, existing positions in the security held in accounts, the availability of cash in the account for investment, and client-imposed limitations, among other factors. Each GGHC discretionary broker uses proprietary models called "target tables", which determine position sizes. Account position sizes may vary in account size. Each GGHC discretionary broker uses a unique "target table" which may cause account performance to vary. Once the participating accounts are identified and their intended allocations are determined, the aggregated order is entered into GGHC's trading system for execution.

If an aggregated order is filled completely, GGHC will allocate the securities purchased or sold in accordance with the original order. GGHC prioritizes allocation of client orders based on objective criteria (such as cash available, account size, whether certain accounts have already established a position in the security, and risk ratio and leverage ratios -- which are GGHC derived formulas). Otherwise, GGHC will rotate among client accounts in computer generated random order. If an order is only partially filled, the securities are allocated in a manner deemed fair to all clients participating in the aggregated trade. The discretionary broker will decide whether to (a) fill some client accounts completely in the order of the allocation until all shares are allocated before giving any to employee accounts, or (b) give each participating client account a *pro rata* share. Employee accounts will be always be excluded if choice (b) is selected.

If an order is only partially filled and the number of shares or units purchased or sold is judged to be too small to be allocated as described in the previous paragraph, GGHC may elect to give

a full allocation to only some client accounts (and not to employee accounts), selected in a manner consistent with the allocation criteria.

### MULTIPLE BROKER TRADES

GGHC's method of placing trades differs when two or more discretionary brokers wish to purchase or sell the same security at about the same time. GGHC generally aggregates orders for different discretionary brokers. When two or more discretionary brokers wish to trade in the same security at the same time, GGHC uses the following procedure.

Orders for discretionary brokers wishing to trade in the same security will share in prints *pro rata* based on time stamps of order entry. Once the allocation system determines which accounts will participate in the trade and the intended allocation among the accounts, as described above, each discretionary broker's trades are sent to the trading room as separate orders. However, GGHC's traders work them at the same time as a single order. If the aggregate trade requires more than one execution to complete, GGHC's trading system allocates a *pro rata* portion of each execution between the participating discretionary brokers based on the relative size of their orders and the time of order entry. The system then allocates the trades among each discretionary broker's client's accounts in the same manner as for single broker aggregated orders, as described above. The accounts of brokers whose orders are worked side by side may receive different average prices for their orders due to size of order and time of order entry. Some of GGHC's discretionary brokers manage a much larger amount of assets than others. This could affect client average price

If one discretionary broker places a market order and another broker places a limit order, the trades will be worked at the same time until the limit is reached. Then, the market order will be given higher priority and will be worked individually until the security again trades within the limit parameters. In this circumstance, the participating brokers and their clients may receive different average prices for their orders.

### EMPLOYEE ACCOUNTS

Employee accounts managed by a discretionary broker may participate in an aggregated order with that broker's client accounts. If the entire order is filled, the securities purchased or sold are allocated in accordance with the original order, with employee accounts receiving an average price of the worst executions on the day for that manager's order. If the order is





only partially filled, the securities are allocated in a manner as described above.

## PEER MANAGED ACCOUNTS

GGHC discretionary brokers may open Peer-Managed Accounts that will be managed by their broker colleagues. Those Peer-Managed Accounts may trade together in the same security in the same aggregated order. This may result in the Peer-Managed account receiving a better average price than his or her own clients.

When only client accounts participate in an aggregated order, each account receives the average price for all trades transacted by GGHC for the aggregated order during the trading day. If employee accounts participate in an aggregated order with client accounts, GGHC calculates the average price for the securities allocated to client accounts by using only the best prices received for the number of shares allocated to those accounts during the trading day. The average of the worst prices received during the trading day will be applied to the securities allocated to employee accounts. This calculation is performed separately for each discretionary broker participating in a multiple-broker trade, with the result that client and employee accounts of different brokers may receive different average prices.

## BALANCING INTERESTS OF MULTIPLE CLIENT ACCOUNTS

Generally, GGHC takes a fair and equitable approach in how it treats all client accounts. Each GGHC discretionary broker acts independently; therefore different brokers may make different investment decisions for their clients, and as such, the performance of those client accounts will differ. Further, discretionary brokers may not necessarily purchase or sell the same securities for client accounts at the same time or in the same proportionate amounts for all eligible clients. There may even be times when one discretionary broker buys a security for clients at the same time when another discretionary broker is selling or opening or maintaining a short position in the same security. When a discretionary broker purchases thinly traded securities or oversubscribed public offerings, it may not be feasible to allocate a transaction *pro rata* to all eligible clients. If GGHC is able to prioritize the accounts based on objective criteria (such as cash available, account size, whether certain accounts have already established a position in the security, risk ratios or leverage ratios—GGHC derived formulas), it will do so and fill the highest priority accounts first. Otherwise, GGHC will rotate among the client accounts in a computer generated randomly selected order to be filled first. Therefore, not all

clients will necessarily participate in the same investment opportunities or participate on the same basis. In addition to this, there are other factors which may impact account performance, such as: value of assets under management and type of account managed (i.e. cash or margin).

## IPO ALLOCATION

GGHC employs the same methods of allocating IPO shares to customer accounts as it does to regular trade orders. Each discretionary broker endeavors to ensure that all client accounts are treated fairly. Because each GGHC discretionary broker acts independently, each will have a unique method of allocating IPO shares to client accounts. To avoid conflicts GGHC processes IPO trades through customer Prime Broker accounts established at NFS in lieu of delivering shares to a GGHC account. There is a minimum equity requirement of \$105,000.00 for the establishment of a Prime Broker account. Prime Broker paperwork is included in the new account documentation sent to all new clients. Account equities are reviewed daily for Prime Broker qualification. If a client has more than one account at GGHC with the same ownership title, the equity values are combined to meet the minimum requirement.

## Sweep Program

GGHC offers clients a Sweep Program option that is subject to amendments to the Financial Responsibility Rules adopted by the SEC. The Sweep Program enables cash in clients' accounts to be invested in money market funds with the clients' authorization. The money market funds in the Sweep Program are sponsored by Fidelity Investments. The money market funds may charge management fees, distribution fees and shareholder servicing fees, among other miscellaneous expenses. These fees go to Fidelity Investments. NFS is a subsidiary of Fidelity Investments.

## REVIEW OF ACCOUNTS

### Periodic Review of Client Accounts

GGHC's discretionary brokers and client service representatives periodically review client accounts. The discretionary brokers are generally responsible for the daily management and review of the accounts under their supervision. The Firm's supervisors and Compliance group also review orders and new account forms. While account reviews vary amongst the firm's groups, among other things, the reviews focus on evidence of excessive activity, suitability, restricted securities, conflicts between client and employee trades and other compliance-related



matters. GGHC employs proprietary technology to monitor positions, risk ratios, leverage ratios and cash available in each account. NFS provides clients' margin levels and reports them to GGHC on a daily basis.

The information in this brochure does not include all the specific review features associated with the investment strategies GGHC employs or as applicable to a particular client accounts.

## Factors Prompting Review of Client Accounts Other than a Periodic Review

In addition to periodic reviews, GGHC may perform reviews as it deems appropriate or otherwise required. Additional reviews of client accounts may be triggered by client request, compliance monitoring, industry factors, statutory and/or regulatory changes and any issues that may have been identified with respect to a client account.

## Content and Frequency of Account Reports to Clients

As noted below, Clients receive correspondence directly from the custodian, National Financial Services, which includes account statements at least quarterly. In addition, GGHC clients can receive information about their GGHC accounts online, by mail and telephone. Through our password-protected website, clients can see their account activity, which is updated daily when the markets are open. Further, GGHC discretionary brokers send clients a quarterly letter summarizing the discretionary broker's activities generally. Clients may call their brokers for information during business hours.

## CLIENT REFERRALS AND OTHER COMPENSATION

In connection with providing investment advisory services to its clients, the Adviser does not receive nor provide sales awards, prizes or other economic benefits from someone who is not a client. Further, GGHC does not compensate any person for client referrals.

## Payments and Credits to GGHC from NFS

The GGHC and NFS clearing agreement maintains that NFS will make certain payments to GGHC. These payments, further described below, could encourage GGHC to use more margin

and short sales on behalf of its clients, and, therefore, create a conflict of interest between GGHC and its clients. The clearing agreement also provides credits for GGHC that can be used to offset technology expenses incurred by GGHC in support of its business. GGHC acknowledges that these credits could appear to create a conflict of interest in GGHC's selection of NFS as its clearing firm. GGHC establishes and maintains written supervisory procedures in order to mitigate (actual and potential) conflicts of interest and ensure that investment decisions and the selection of a clearing firm are made in its clients' best interests.

## Waiver of Trading Tickets Charges

During the initial 10-year term of the clearing agreement, NFS has agreed to waive ticket charges provided that, in the applicable year, NFS generates revenue from margin balances, fully-paid balances, short balances, and net stock loans of GGHC clients that exceeds a threshold. This creates a conflict of interest between GGHC and its clients, as it could encourage GGHC to use more margin and short sales on behalf of its clients. GGHC has addressed this conflict by establishing and maintaining written supervisory procedures designed to prevent excessive margin and short sales.

## Revenue Sharing Between NFS and GGHC

During the initial 10-year term of the clearing agreement, for each year in which the revenue generated by NFS from margin balances, fully-paid balances, short balances, and net stock loans of GGHC clients exceeds prescribed return-on-capital ("ROC") targets, NFS has agreed to share with GGHC between 65% and 90% of such excess ROC. This creates a conflict of interest between GGHC and its clients, as it could encourage GGHC to use more margin and short sales on behalf of its clients. As stated above, GGHC has established and maintains written supervisory procedures designed to prevent excessive margin and short sales.

## Annual Technology Credit and Business Development Credit

During the initial 10-year term of the clearing agreement, NFS has agreed to issue an annual technology credit to GGHC (\$750,000) to offset technology-related costs. GGHC acknowledges that this credit could appear to create a conflict of interest in GGHC's selection of NFS as its clearing firm. However, based upon the scope of services and pricing offered by NFS, GGHC believes that its selection of NFS was, and remains, in its clients' best interests; GGHC believes that the



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NFS platform enables GGHC to maintain access to a market-leading clearing agent at a competitive cost to GGHC's clients.

### CUSTODY

GGHC generally does not have custody of Client assets as it does not have the authority to hold, directly or indirectly, Client funds or securities or have the authority to obtain possession of them. Clients receive correspondence directly from their custodian, National Financial Services, which includes confirmations for each transaction, account statements at least quarterly, annual 1099 reports and proxy statements and annual reports from the issuers of securities held in, and prospectuses for any newly issued securities purchased for their accounts.

GGHC clients should carefully review and reconcile the custodian statements to ensure that they reflect appropriate activity in the account.

### INVESTMENT DISCRETION

GGHC, through a limited power of attorney via the Firm's investment advisory agreement, is given discretionary authority to invest, reinvest and manage securities accounts on behalf of clients in accordance with the stated investment objectives for the particular client account and subject to each client's right to impose reasonable restrictions<sup>8</sup>. Depending on the investment program, option powers of attorney may also be required. Under its discretionary authority as the Client's agent and attorney-in-fact, GGHC, specifically the Discretionary Broker authorized on the account, determines the securities and amount of securities to buy or sell. Discussions between the Account Holder(s) and GGHC regarding investments will be limited to general investment strategies only and will involve no consultation regarding transactions in specific either prior to or following specific trades.

This authority includes the ability to transact in securities in foreign markets (Euro, Asian, or sub-Saharan African markets), which may require the disclosure of personal client information (clients must agree to the disclosure of personal information) as well as securities in sector industry sectors (e.g. gas, oil, etc.)

Clients also grant GGHC complete discretion to select the broker-dealers and other financial institutions through which to

## Firm Brochure

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effect transactions for their accounts and the commission rates paid. Generally, GGHC's clients are unable to restrict or prohibit transactions or direct transactions for execution through specific brokers and dealers. GGHC will accept restrictions on accounts in certain circumstances, such as employment restrictions and affiliation restrictions.

### VOTING CLIENT SECURITIES

#### Proxy Votes

GGHC does not vote proxies relating to securities held in client accounts, nor does GGHC give advice on proxy voting. Clients will receive all proxy statements and related proxy voting materials from the issuers whose securities are held in their accounts. In the case of retirement plan clients, proxy statements and related materials are forwarded to a plan fiduciary named in the plan's Investment Advisory Agreement for voting. In the case of proxies of foreign issuers, it may not always be possible or practical for clients to exercise voting rights. For example, a foreign issuer's proxy statement may not be received by NFS in time for it to be handled in a timely manner.

### FINANCIAL INFORMATION

Pursuant to the SEC instructions, GGHC is not required to include its balance sheet as part of this Brochure. To the best of GGHC's knowledge, the Firm is not subject to any financial condition that is reasonably likely to impair its ability to meet its contractual and fiduciary commitments to clients. GGHC has not been the subject of a bankruptcy proceeding during the past ten years.

<sup>8</sup> Investment guidelines and restrictions must be provided to GGHC in writing. GGHC may decide not to accommodate investment

restrictions deemed unduly burdensome or materially incompatible with GGHC's investment approach.