

**Form ADV, Part 2A**

**Firm Brochure**

Conifer Management, LLC

March 31, 2016

This brochure provides information about the qualifications and business practices of Conifer Management, LLC (the “Adviser”). If you have any questions about the contents of this brochure, please contact us at (212) 832-5280. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”), or by any state securities authority.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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

Conifer Management, LLC  
9 West 57<sup>th</sup> Street, Suite 5000  
New York, New York 10019-2701  
Tel: (212) 832-5280  
Fax: (212) 832-5298

**Item 2.           Material Changes**

This Item is not applicable.

**Item 3. Table of Contents**

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#### **Item 4. Advisory Business**

Conifer Management, LLC (the “Adviser”) is an investment adviser with its principal place of business in New York, New York. The Adviser began conducting business in 2000. Mr. Gregory Alexander and Mr. Girish Bhakoo are the managing members and principal owners of the Adviser.

The Adviser anticipates providing investment advisory services on a discretionary basis to separately managed accounts and private funds intended for sophisticated individual investors and institutional investors.

The Adviser will manage accounts in accordance with its overall investment objective and strategy, which seeks long-term growth of capital. The Adviser will seek to meet this overall objective and strategy by investing in equity and debt securities of issuers identified by the Adviser through its fundamental, bottom-up analysis of issuers. Managed account clients may impose restrictions on investing in certain securities or certain types of securities and on the manner in which the investments are effected.

The Adviser will not commence providing investment advisory services until its investment adviser registration with the SEC is effective. In accordance with Rule 203A-2, under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), the Adviser anticipates that it will amend this Firm Brochure within 120 days of registration to indicate that it has met the asset eligibility requirements for registration.

#### **Item 5. Fees and Compensation**

The Adviser will charge each client an investment advisory fee based on the market value of the client’s assets under management. For managed account clients, the Adviser will typically charge an advisory fee at an annual rate of 1.0%. The fee is payable in quarterly installments in advance on the first day of each calendar quarter and is based on the market value of the assets under management in the account as of the close of business on the preceding business day. If a client’s investment management agreement is terminated during a quarter, the fee payable to the Adviser will be prorated for the number of days during the quarter in which the investment management arrangement was in effect. The fee will be prorated for any partial quarter during which the account is established. The Adviser also receives performance-based compensation as further described in Item 6.

A managed account client will be permitted to terminate the investment management agreement with the Adviser at any time. Upon termination of an account during a quarter, advisory fees will be prorated and any prepaid, unearned advisory fees will be promptly refunded.

The Adviser reserves the right to determine the annual advisory fee rate and/or the manner of payment with any managed account client or prospective managed account client. As a result, fees may be negotiable under certain circumstances or for certain managed account clients. The Adviser will bill managed account clients and deduct the fee automatically from their accounts when agreed upon with the clients.

In addition to paying advisory fees to the Adviser, clients will be subject to other expenses such as brokerage commissions and costs associated with foreign exchange transactions, among others. Client assets may be invested in money market mutual funds or other registered investment companies. In these cases, the client will bear its pro rata share of the investment management fee and other fees of the fund in which the assets are invested. The management and other fees of the fund in which assets are invested are described in the offering documents of the relevant private fund client, and are in addition to the advisory fee paid to the Adviser. Please refer to Item 12 of this Firm Brochure for a discussion of the Adviser’s brokerage practices.

An affiliate of the Adviser receives compensation in connection with the purchase and sale of securities through the Adviser’s affiliated broker-dealer. Please refer to Item 10 of this Brochure for more information concerning this compensation.

#### **Item 6. Performance-Based Fees and Side-By-Side Management**

The Adviser and certain of its supervised persons anticipate providing investment management services to multiple portfolios for multiple clients. The Adviser (or an affiliate of the Adviser) will also receive performance-based compensation from private funds for which they provide advisory services. No managed account client will be solicited to invest in the private pooled investment vehicles. Because the Adviser and its supervised persons anticipate managing

portfolios for many different clients, potential conflicts will exist for one client account to be favored over another client account. The Adviser and its investment personnel will have, for example, a greater incentive to favor client accounts from which they will receive (or potentially will receive) higher compensation.

The Adviser has adopted and implemented policies and procedures that are intended to address conflicts of interest relating to managing multiple accounts and the allocation of investment opportunities. The Adviser will review investment decisions for the purpose of seeking to ensure that all accounts with substantially similar investment objectives are treated equitably over time. The Adviser's procedures relating to the allocation of investment opportunities require that similarly-managed accounts participate in investment opportunities pro rata based on asset size (based on the value of the assets of each participating account relative to value of the assets of all participating accounts) and subject to the factors described in Item 16. The Adviser's procedures also require that, to the extent orders are aggregated, the client orders are price-averaged. These areas will be monitored by the Adviser's Chief Compliance Officer.

#### **Item 7. Types of Clients**

It is anticipated that the Adviser's clients will consist of individuals, pension and profit sharing plans, trusts, estates, and charitable organizations, private funds, corporations and other business entities. There are no minimum investment requirements for opening or maintaining a managed account.

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

The Adviser will typically manage accounts in accordance with its overall investment objective and strategy, which seeks long-term growth of capital. The Adviser will use fundamental analysis in formulating investment advice and managing client assets. Fundamental analysis of issuers involves analyzing an issuer's financial statements, management and competitive advantages, and competitors and markets. The Adviser typically employs bottom-up fundamental analysis.

The Adviser will employ a variety of investment strategies or techniques, including the following investment strategies, in providing advisory services to clients:

- *Buy and Hold.* The Adviser typically engages in a buy and hold investment strategy wherein the Adviser acquires securities for its clients and holds them for relatively longer periods of time, regardless of short-term factors such as fluctuations in the market or volatility of the stock price.
- *Focused Portfolio/Non-diversification.* The Adviser focuses its investments on a limited number of issuers and does not seek to diversify investments among types of securities, countries or industry sectors.
- *Margin transactions.* For private funds, the Adviser or its supervised persons may acquire securities for a fund's portfolio with money borrowed against the value of the assets in the fund's custodial account. Margin transactions permit a fund, for example, to acquire more securities than the client otherwise could if using available cash only.
- *Hedging.* For private funds, the Adviser utilizes a variety of financial instruments such as derivatives, options, interest rate swaps, caps and floors, futures and forward contracts for profit and/or risk management purposes.
- *Short Selling.* For private funds, the Adviser or its supervised persons may engage in short selling strategies. In a short sale transaction, a security is sold for a fund that the fund does not own in anticipation that the market price of that security will decline. Short sales are used as a form of hedging to offset potential declines in long positions in similar securities, in order to maintain flexibility, and for profit.
- *Derivatives.* For private funds and certain managed accounts, the Adviser or its supervised persons may purchase or sell derivative instruments, including options, warrants, forwards and swaps. Derivatives are used as a form of hedging, in order to maintain flexibility, and for profit.

These methods, strategies, and investments involve risk of loss to clients, and clients must be prepared to bear the loss of their entire investment. The material risks relating to the Adviser's investment strategies include the following:

- *Market and Manager Risks.* Securities in which the Adviser invests on behalf of its clients will fluctuate as the markets for those securities fluctuate. The prices of these securities will decline, perhaps severely, over short-term or long-term periods. Performance of individual securities can vary widely. In addition, the investment decisions

of the Adviser may cause the strategy or an account to underperform other strategies, investments or benchmark indices. The Adviser may be incorrect in assessing a particular industry or a company, including the anticipated earnings growth of the company. The Adviser may not buy chosen securities at the lowest possible prices or sell securities at the highest possible prices.

- *Buy and Hold.* Buy and hold investment strategies bring specific risks to a securities portfolio. Under a buy and hold investment strategy, the Adviser may not take advantage of short-term gains in a security that could be profitable to a client. Moreover, if the Adviser's predictions are incorrect, a security may decline sharply in value before the security is sold.
- *Focused Portfolio/Lack of Diversification.* Client accounts will not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, client portfolios are subject to more rapid change in value than would be the case if the Adviser were to maintain a wider diversification among types of securities and other instruments, countries or industry sectors.
- *Margin.* The performance of the private funds utilizing margin may be more volatile. Margin trading increases exposure to market risk. In addition, the downside of trading on margin is not limited to the value of collateral in the margin account. When the value of securities acquired on margin falls below maintenance margin requirements or other applicable requirements, the lender may make a margin call or sell securities from the account. If the sale does not cover the deficiency, the investor will be responsible for the shortfall.
- *Short Selling.* Short selling transactions for the private funds expose a fund's portfolio to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by a fund in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the fund might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.
- *Derivatives.* Derivative transactions for the private funds expose a fund's portfolio to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. The performance of the private funds utilizing derivative transactions may be more volatile.
- *Hedging.* There can be no assurance that a particular hedge is appropriate, or that certain risk is measured properly. Further, while the Adviser may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Adviser's private fund portfolios than if the Adviser did not engage in any such hedging transactions.

The Adviser invests primarily in equity securities of U.S. and non-U.S. issuers. The Adviser also invests in fixed-income and debt securities. In connection with managing private funds, and some managed accounts, the Adviser or its supervised persons may also invest in other securities and instruments, including derivatives. The following risks are those most commonly associated with the types of securities in which the Adviser primarily will invests for its clients.

- *Equity Securities.* The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.
- *Fixed-Income and Debt Securities.* Investment in fixed-income and debt securities, such as asset-backed securities, residential mortgage backed securities, commercial mortgage backed securities, investment grade corporate bonds, non-investment grade corporate bonds, loans, sovereign bonds and U.S. government debt securities and financial instruments that reference the price or interest rate associated with these fixed-income securities, subject a client's portfolios to the risk that the value of these securities overall will decline because of rising interest rates. Similarly,

portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner or that negative perceptions of the issuer's ability to make such payments will cause the price of the debt to decline. The Adviser may also invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. Most fixed-income instruments trade in over-the-counter transactions and lack the benefit of transparent exchange pricing. Bid and asks for these instruments are generally wider than equity securities, and trading is less frequent. These factors may cause distortions and/or volatility in the prices of fixed income-related instruments. Lastly, investments in debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid, than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

- *Interest Rate Risks.* Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. The risk is greater for long-term securities than for short-term securities.
- *Non-U.S. Securities.* Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies, withholding or other taxes, trading, settlement, custodial, and other operational risks, and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.
- *Emerging Markets.* There are greater risks associated with investments in securities of issuers located in less developed countries than investments in securities of issues located in the U.S. and other developed markets. Political risk for many developing countries is a significant factor. During certain social and political circumstances, governments may be involved in policies of expropriation, confiscatory taxation, nationalization, intervention in the securities market and trade settlement, and imposition of foreign investment restrictions and exchange controls. In comparison to more developed markets, trading volumes in emerging markets may be lower, which can result in a lack of liquidity and greater price volatility.
- *Derivatives.* Derivative instruments, including options, warrants, forwards, futures and swaps, in which the private funds, and some managed accounts, invest are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments may require a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying the derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the client or the Adviser. Further, transactions in derivative instruments may not be undertaken on recognized exchanges, and will expose the client's account to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.
- *Illiquid Instruments.* Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and the Adviser's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for the Adviser to obtain market quotations based on actual trades for the purpose of valuing a fund's portfolio. In some cases, the relevant portfolio may be contractually prohibited from disposing of these securities for a specified period of time.

Investors in private funds should carefully review the appropriate Private Placement Memorandum for a detailed description of the associated risks.

*Cybersecurity Risk.* The information and technology systems of the Adviser and of key service providers to the Adviser and its clients may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Adviser has implemented various measures designed to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for the Adviser to make a significant investment to fix or replace them and to seek to remedy the effect of these issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of the Adviser or its client accounts and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information.

#### **Item 9. Disciplinary Information**

This Item is not applicable.

#### **Item 10. Other Financial Industry Activities and Affiliations**

The Adviser expect to use Ruane, Cunniff & Goldfarb LLC (“RCGL”), a registered broker-dealer, member of the New York Stock Exchange, FINRA, SIPC and an affiliate of the Adviser, to effect substantially all securities transactions for its advisory clients. The Adviser believes that the use of RCGL (i) provides direct access to floor brokers, which lends insight into market depth as well as real-time information concerning the current trading environment for securities being traded, (ii) facilitates monitoring and control of the trade-life cycle, enabling faster responses to ever-changing market conditions, (iii) permits it to leverage its expertise in the trading patterns of longer-term holdings, and (iv) provides confidentiality with respect to acquisition and disposition programs. Although the Adviser believes that RCGL’s commission rates are generally competitive with those of unaffiliated brokers providing comparable services and overall qualitative execution, the Adviser does not represent to clients that it will necessarily obtain the lowest possible commission charge on every trade. The Adviser will effect substantially all transactions through RCGL on an agency basis.

RCGL is an introducing broker-dealer only. Pershing LLC serves as RCGL’s clearing broker and carries accounts for RCGL’s clients on a fully-disclosed basis. Client funds and securities held through RCGL are generally custodied at Pershing. For its services, Pershing does not charge separately for custody services but receives a portion of any compensation paid to RCGL for effecting securities transactions. RCGL executes trades through floor brokers on the New York Stock Exchange, Inc., direct market access networks and alternative trading systems, which are compensated from commissions paid to RCGL. RCGL may also effect trades using market makers. Clients may elect to have their assets custodied with custodians other than Pershing. In such case, clients may pay a custody fee or other related charges.

The Adviser’s clients will pay commission rates to RCGL that are based upon the amount of discretionary assets under management in each separate account pursuant to which larger accounts pay lower commissions, and in connection with foreign securities transactions, each account pays fees at rates set forth in the commission schedule. The fee paid to RCGL for foreign trades is calculated based on the US Dollar value of the trade. The RCGL commission schedule is available to clients upon request and is also distributed to clients annually and in connection with any increase in fees.

Certain of the Adviser’s portfolio managers are also registered representatives of RCGL and benefit by directing client securities transactions to RCGL for execution. These portfolio managers serve as the registered representative for the accounts they manage and one portfolio manager receives a portion of the commissions paid by the accounts to RCGL for transactions effected for the accounts. Certain of these portfolio managers may also receive compensation based upon the profitability of RCGL. These arrangements provide an incentive for the portfolio managers to use RCGL to effect securities transactions for the accounts they manage. In addition to disclosing to its clients these arrangements with RCGL and the conflicts and potential benefits to supervised persons associated with these arrangements, the Adviser monitors the execution services provided by RCGL.

In accordance with Section 11(a)(1) of the Securities Exchange Act of 1934, the Adviser may effect transactions in securities for institutional managed accounts on a national securities exchange. These accounts have authorized the Adviser and its affiliates to effect such transactions and to receive compensation for effecting the transactions. Brokerage transactions for accounts subject to ERISA are administered in accordance with Department of Labor Prohibited Transaction Exemption 86-128.



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

The Adviser has adopted a Code of Ethics (the “Code”) that obligates it and its supervised persons to maintain high ethical standards, to put the interests of the Adviser’s clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. Clients or prospective clients may obtain a copy of the Code by contacting Michael Sloyer, Chief Compliance Officer of the Adviser, by mail at 9 West 57<sup>th</sup> Street, Suite 5000, New York, NY 10019-2701 or by telephone at (212) 832-5280.

The Adviser and its related persons will invest in securities that they recommend to clients. This practice presents a conflict because the Adviser or its related persons are in a position to trade in a manner that could adversely affect clients. The Adviser requires its supervised persons to preclear personal transactions in covered securities (and in cases of the acquisition of the beneficial ownership of any security through an initial public offering (“IPO”) or Limited Offering) with a designated supervisory person. A preclearance request may be denied if the requested transaction may have any adverse impact on clients. To the extent the Adviser or its related person owns securities that the Adviser or the related person also recommends to clients, such clients’ proxies will be voted according to predetermined guidelines rather than subject to the Adviser’s (or its related person’s) discretion. Please refer to Item 17 for further information regarding the Adviser’s proxy voting policy and procedures.

Although personal trades of supervised persons are not aggregated with other client trades, trades for the private funds will be treated as client accounts and may be aggregated with other client trades in accordance with the Adviser’s aggregation policies and procedures. See Item 12 for additional information concerning those policies and procedures.

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

**Item 12. Brokerage Practices**

The Adviser requires that it be provided with written authority to determine the broker-dealer to use for client transactions and the commission costs that will be charged to clients for these transactions. Clients must include any limitations on this discretionary authority in the written authority statement. Clients may amend these limitations. Such amendments must be provided to the Adviser in writing.

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer’s compensation. Such factors include net price, reputation, financial strength and stability and efficiency of execution. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer’s compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser’s practice to negotiate “execution only” commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate.

Subject to its best execution obligations, the Adviser anticipates using RCGL to effect substantially all trades for its advisory clients. Please refer to Item 10 for additional information concerning the Adviser’s use of RCGL to execute client securities transactions and best execution considerations.

Although the Adviser typically will pay directly for any brokerage or research service it obtains from a broker-dealer, there are limited circumstances in which a broker-dealer will accept payment for the services only through the use of client

commissions or soft-dollars. In these limited circumstances, the Adviser may direct client orders to the broker-dealer in recognition of the services it furnishes to the Adviser and pay client commissions to the broker-dealer in excess of the amounts other broker-dealers would have charged for executing the orders. The services that the Adviser may obtain in these limited circumstances include attendance at seminars and conferences and meetings with corporate executives and other parties, including employees of issuers whose securities are held in client accounts or that are under consideration by the Adviser. The Adviser does not attempt to allocate among clients the relative costs or benefits of the services obtained, believing that the services, in the aggregate, assist the Adviser in fulfilling its overall duty to clients. The Adviser periodically determines in good faith that the commissions paid for the services are reasonable in relation to the value of the services provided by the broker-dealers, viewed either in terms of a particular transaction or the Adviser's overall duty to its clients.

Under certain circumstances, the Adviser may permit clients to direct the Adviser to execute the client's trades with a specified broker-dealer. When a client directs the Adviser to use a specified broker-dealer to execute all or a portion of the client's securities transactions, the Adviser will treat the direction as a decision by the client to retain, to the extent of the direction, the discretion the Adviser would otherwise have in selecting broker-dealers to effect transactions and in negotiating commissions for the client's account. Although the Adviser will attempt to effect such transactions in a manner consistent with its policy of seeking best execution, there may be occasions where it is unable to do so, in which case the Adviser will continue to comply with the client's instructions. When the directed broker-dealer is unable to execute a trade, the Adviser will select broker-dealers other than the directed broker-dealer to effect client securities transactions.

A client who directs the Adviser to use a particular broker-dealer to effect transactions should consider whether such direction may result in certain costs or disadvantages to the client. Such costs may include higher brokerage commissions (because the Adviser may not be able to aggregate orders to reduce transaction costs), less favorable execution of transactions, and the potential of exclusion from the client's portfolio of certain foreign ordinary shares and/or small capitalization or illiquid securities due to the inability of the particular broker-dealer in question to provide adequate price and execution of all types of securities transactions. By permitting a client to direct the Adviser to execute the client's trades through a specified broker-dealer, the Adviser will make no attempt to negotiate commissions on behalf of the client and, as a result, in some transactions such clients may pay materially disparate commissions depending on their commission arrangement with the specified broker-dealer and upon other factors such as number of shares, round and odd lots and the market for the security. The commissions charged to clients that direct the Adviser to execute the client's trades through a specified broker-dealer may in some transactions be materially different than those of clients who do not direct the execution of their trades. Clients that direct the Adviser to execute their trades through a specified broker-dealer may also lose the ability to negotiate volume commission discounts on batched transactions that may otherwise be available to other clients of the Adviser.

The Adviser will seek to aggregate client trades where possible and when advantageous to clients. The average price will be obtained and applied to those accounts participating in an aggregated trade, but commissions for each participating client are charged separately. Although personal trades of the Adviser's supervised persons are not aggregated with client trades, trades for the private funds may be aggregated with trades for other managed accounts in accordance with the Adviser's aggregation policies and procedures. The Adviser has various procedures regarding the aggregation of trades, including, among others, seeking best execution, not favoring any client(s) over any others and preparing allocation tickets for each trade.

The Adviser may effect cross transactions between discretionary client accounts. A cross transaction is a transaction between two discretionary advisory clients for which the Adviser acts as an investment adviser for each client on both sides of the transaction and for which the Adviser receives no compensation in connection with the transactions other than the receipt of its advisory fee. The Adviser has potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions.

The Adviser may also effect agency cross transactions for advisory client accounts provided that such transactions are conducted in accordance with the Adviser's fiduciary duty to the clients and, in the case of agency cross transactions, the requirements of Rule 206(3)-2 of the Advisers Act. An agency cross transaction is a transaction in which the Adviser acts as an investment adviser, and RCGL acts as broker-dealer for the advisory client and another person on the other side of the transaction and receives compensation.

As a matter of policy, the Adviser will not engage in principal transactions with its advisory clients.

**Item 13. Review of Accounts**

The portfolio managers will continually review the accounts for which they are responsible. The accounts are reviewed to determine if cash is available for investment, the proper allocation between equities and fixed-income securities as well as among equities, and if the accounts contain securities currently being acquired by the portfolio manager for his client accounts. Account performance is also reviewed periodically.

Each client will receive a confirmation of each security transaction from Pershing. At the end of each month, the client (or the investor in a pooled investment vehicle) will receive a written statement from the qualified custodian detailing all cash and security transactions for the month, the cash balance and securities with market values held by the custodian. As of the end of each calendar quarter, the client will also receive a written statement from the Adviser indicating all portfolio securities at cost and market and total cash balance. Clients may also receive quarterly written performance results, and may request performance results from the Adviser at any time.

**Item 14. Client Referrals and Other Compensation**

The Adviser may receive certain research or other products or services from broker-dealers using client commissions or soft-dollars. The use of soft-dollars creates an incentive for the Adviser to select or recommend broker-dealers based on the Adviser's interest in receiving research or other products or services. Please see Item 12 for further information on the Adviser's use of soft-dollars, including the Adviser's procedures for addressing conflicts of interest that arise from such practices.

**Item 15. Custody**

Managed account clients will receive account statements from the qualified custodian of the account. Clients should carefully review those statements.

To the extent the Adviser sends statements directly to a client in addition to those sent by the qualified custodian, the client should compare the statements received from the custodian with the statements received from the Adviser.

**Item 16. Investment Discretion**

The Adviser will provide investment advisory services on a discretionary basis to clients. Prior to assuming discretion in managing a client's assets, the Adviser will enter into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion. Unless otherwise instructed or directed by a discretionary client, the Adviser will have the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines), (ii) the amount of securities to be purchased or sold for the client account, (iii) the broker-dealer to be used for the purchase or sale of securities for a client's account, and (iv) the commission rates to be paid to a broker-dealer for a client's securities transactions. Please see Item 4 for a description of any limitations clients may place on the Adviser's discretionary authority.

There may be differences among clients in invested positions and securities held. The Adviser's portfolio managers will submit an allocation statement to the Adviser's trading desk describing the allocation of securities to (or from) client accounts for each trade or order submitted. The portfolio managers may consider the following factors, among others, in allocating securities among clients: (i) client investment objectives and strategies; (ii) client risk profiles; (iii) tax status and restrictions placed on a client's portfolio by the client or by applicable law; (iv) size of the client account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity and timing of cash flows. Although it is the Adviser's policy to allocate investment opportunities to eligible client accounts on a pro rata basis (based on the value of the assets each participating account relative to value of the assets of all participating accounts), these and other factors may lead the Adviser to allocate securities to client accounts in varying amounts. Even client accounts that are typically managed on a pari passu basis may from time to time receive differing allocations of securities.

Allocations of securities received in initial public offerings, secondary offerings or limited offerings will be made among eligible investors as described in the paragraph above and in accordance with the Adviser's policies and procedures.

**Item 17. Voting Client Securities**

The Adviser has adopted Proxy Voting Policies and Procedures (“Procedures”) that are designed to address how the Adviser votes proxies when it has been delegated proxy voting authority. The Procedures require that the Adviser identify and address conflicts of interest between the Adviser and its clients in connection with voting proxies. If a material conflict of interest exists, the Adviser determines whether voting in accordance with the guidelines set forth in the Procedures is in the best interests of the client or whether to take some other appropriate action.

The Adviser will generally vote in favor of routine corporate housekeeping proposals, including the election of directors (where no corporate governance issues are implicated). The Adviser will generally vote against poison pills and proposals for compensation plans deemed to be excessive. For all other proposals, the Adviser will determine whether a proposal is in the best interests of its clients and may take into account, among others, the following factors: (i) whether the proposal was recommended by management and the Adviser's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance.

Clients may obtain a copy of the Adviser's Procedures and information about how the Adviser voted a client's proxies by contacting Michael Sloyer by mail at the office of the Adviser, 9 West 57<sup>th</sup> Street, Suite 5000, New York, NY 10019-2701 or by telephone at (212) 832-5280.

**Item 18. Financial Information**

This Item is not applicable.