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### Form ADV Part 2A – Brochure

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This brochure provides information about the qualifications and business practices of Efficient Capital Management, LLC (“Efficient”). If you have any questions about the contents of this brochure, please contact us at the following email address: [compliance@efficient.com](mailto:compliance@efficient.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 Efficient also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration as an Investment Adviser with the SEC does not imply a certain level of skill or training.

## **ITEM 2. MATERIAL CHANGES**

This is the initial and first ADV Part 2A Brochure issued by Efficient and therefore there are no Material Changes to disclose.

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## ITEM 4. ADVISORY BUSINESS

### **Adviser**

Efficient works as a Commodity Trading Advisor (“CTA”) specialist alongside investors to target specific portfolio goals, styles and strategies within managed futures. Efficient can tailor funds for investors by targeting volatility levels, restricting the trading of certain futures contracts or securities and accepting currencies other than U.S. Dollars. Efficient is willing to negotiate fees.

As of July 31, 2017, Efficient managed 919,186,834 in discretionary Client assets.

Founded in 1999 by Ernest L. Jaffarian, Efficient Capital Management, LLC (“Efficient”) was built on many previous years of experience in the financial futures industry. After having worked at Chicago Research and Trading in a variety of roles, including as a market maker for listed options and at his own CTA, Sandpiper Trading, Mr. Jaffarian took a position in January 1997 at Hull Trading Company to develop and manage an off-site proprietary trading business that developed and expanded CTA allocation methodologies over the succeeding few years. As a result of an Initial Public Offering being offered by Hull Trading Company, Mr. Jaffarian was given the opportunity to form a separate company.

Efficient officially launched as an independent company on May 1, 1999. As a separate legal entity, Efficient was free to manage outside assets.

Effective January 1, 2006 the vast majority of ownership interests in Efficient was exchanged for ownership interests in Efficient Capital Holdings, LLC, which became the majority owner of Efficient. Notwithstanding this exchange, Jaffarian Management Company, LLC remained, and continues to be, the majority owner and the manager of both Efficient Capital Holdings, LLC and Efficient. Mr. Jaffarian is the managing member of Jaffarian Management Company, LLC.

Over the next several years the business grew slowly, managing its own capital and some new outside managed accounts. A relationship with a large, well-known bank in Switzerland resulted in significant expansion of staff and assets under management, allowing Efficient to build an institutional-quality infrastructure, technology and staff, and established Efficient as one of the early global leaders in the CTA space. From 1999 until early 2004, all of Efficient’s portfolios were separately managed accounts.

In 2004, Efficient launched its master trading fund, Efficient Trading Limited (ETL). The fund’s objective was to make the unique features of its large institutional managed account portfolios available to fund investors by providing access to a diversified multi-manager portfolio of CTAs, exclusively through managed accounts, with daily risk monitoring, back office operations and technology systems of institutional quality. This new fund structure allowed Efficient to begin offering different levels of volatility, fees and currency exposure. Beginning in early 2005 Efficient began to broaden its portfolio construction approach. A strategic decision was made to increase allocations to institutional-quality managers who were not highly correlated to classic trend following managers. This new approach required a commitment to adding Investment Team staff, to dramatically increasing on-site due diligence visits to managers and to knowing the universe of

managers trading futures regardless of location and size. The result of these efforts was a unique, broadly diversified portfolio. Over the next few years, Efficient's database of CTAs grew from 600 to well over 6,000 names, and the team began to average in excess of 150 on-site manager visits each year.

In 2011, all Efficient funds instituted daily liquidity to offer investors complete flexibility for subscriptions and redemptions. The change to a daily reconciliation meant the change of administrators.

In 2014, Efficient launched customized portfolios as a new service for investors. In addition to its master trading fund, ETL, Efficient now has various single CTA and multiple CTA funds (each a "Fund" and collectively the "Funds") and can provide customized portfolios through its Funds. The Funds are collectively referred to as the "Clients" hereinafter. In offering such customization, Clients can request that Funds be tailored to meet their needs which may include restricting certain instruments from trading or investing in securities other than those currently traded. Clients may also negotiate special terms other than those stated in the Private Placement Memorandum ("PPM") which may result in the creation of a side letter. Not all Efficient's Clients permit customization. There are various levels of customization, all of which can differ by Client.

Efficient's role as the Commodity Pool Operator ("CPO") for the Clients enables Efficient to select CTAs or Investment Advisers ("IAs") to trade the Clients assets. Excess cash not being utilized for trading are managed by a third-party IA who is identified as the cash manager ("Cash Manager") in the PPM. Efficient will instruct the Cash Manager on which securities are to be traded for the and the Cash Manager determines the exact timing of the purchase and sale of the securities.

Efficient is registered with the Commodity Futures Trading Commission ("CFTC") as a CPO" and a CTA and is a member of the National Futures Association ("NFA"). NFA # 293441. Such registrations and membership do not imply the CFTC or the NFA has endorsed Efficient's qualifications to provide investment management services.

## ITEM 5. FEES AND COMPENSATION

Due to the complexities of each Client's negotiated fee structure, a list of the types of fees that Efficient may charge for its services are listed herein.

Efficient gets paid its fees either on a monthly, quarterly, semi-annual or annual basis. The specific details relating to percentage of fees charged by Efficient and the time period for which the fees are calculated and be paid are set forth in the PPM or Offering Memorandum ("OM").

Efficient can receive compensation in the form of one or more of the following fees as set forth below:

**Platform Fee:** A fee payable to Efficient for accessing investments through a customized platform structure which is designed to give the investor the option of selecting single manager or multi-manager options for investment purposes. The specified fee and the method of calculation is described in each PPM or OM and can vary by product and by investor. Please note the Platform Fee is also referred to as the **Administration Fee** in some of the PPMs or OMs. This fee should not be confused with the Management Fee described below which can be charged in addition to this fee. This Fee can range from 0% to 4.0% per annum, payable monthly in arrears.

**Management Fee:** Efficient may receive a Management Fee as the Commodity Pool Operator ("CPO") or as the Investment Manager ("IM"). The specified fee and the method of calculation is described in each PPM or OM of every Client Efficient manages and can vary by product and by investor. This Fee can range from 0% to 5.40% per annum, payable monthly in arrears.

**Incentive Fee:** Efficient may receive an Incentive Fee as the CPO or as the Investment Manager ("IM"). The specified fee and the method of calculation is described in each PPM or ("OM") of every Client Efficient manages and can vary by product and by investor. Please note the Incentive Fee is also referred to as the **Performance Fee** in some of the PPM's or OM's. This Fee can range from 0% to 20% and the time period for payment of Incentive Fees can be on a monthly basis, quarterly basis, semi-annual basis or annual basis.

The calculation methodologies of any of the fees shown above as well as the timing of the payment of the fees are set forth in the PPM or OM for the Clients. If fees were to vary from that which is shown in the PPM or OM, such fees would be memorialized in a side letter or other agreement to comply with the variation as shown in the PPM or OM.

Efficient has and may continue to negotiate fees with its Clients or investors through side letters. Fees charged by Efficient can vary. A potential investor should request the specific PPM or OM for the Fund for which they are interested in making an investment.

All of the fees earned by Efficient are paid to Efficient by the Clients and are reflected in the NAV for on the statement sent to the investor by the external administrator. The external Administrator will calculate the fees owed to Efficient and will wire transfer such fees to Efficient.

As stated in the PPM or OM, Efficient can share its fees with appropriately registered third parties. Such fee sharing is documented in a signed agreement. Also, Efficient participates in fee sharing with the CTAs that trade for the Clients. Any such arrangement would be described in the PPM or OM as well as in the advisory agreement related to the Clients where such fee sharing is taking place. This fee sharing arrangement creates a conflict of interest because Efficient has an incentive to select CTAs or IAs that permit Efficient to participate in the sharing of management or incentive fees. However, such sharing of fees is fully disclosed to the Clients and can be found in the PPM, OM, side letters and/or other signed agreements.

In addition to Efficient's fees, CTAs and IAs are compensated for trading. Fees for the CTAs or IAs can range from a management fee of 0% to 2% and an incentive fee of 0% to 50%. These fees for investment advisory services can vary widely by Client and may be available for less from other sources.

In addition to Efficient's fees and CTA and IA fees, each Client is subject to fees and expenses relating to operating a Fund. Such expenses may include but are not limited to brokerage fees, execution fees, custodial fees, bank fees, clearing fees, exchange fees, FATCA fees, director fees, registered office fees, regulatory fees, administrator fees, audit fees and legal fees.

PLEASE REFER TO THE APPROPRIATE PPM OR OM FOR A FULL DESCRIPTION OF THE FEES THAT WILL BE CHARGED BY EFFICIENT AND THE EXTERNAL COMMODITY TRADING ADVISORS OR INVESTMENT ADVISERS THAT WILL TRADE THE ASSETS OF EACH CLIENT.

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

As noted in Item 5, "Fees and Compensation", Efficient may receive performance-based compensation from its Clients, also referred to as an Incentive Fee. The specified fee and the method of calculation is described in each PPM or OM. The fees charged can vary between Clients. Since Efficient offers customization, it is possible that a Client will not pay an Incentive Fee and instead may pay Efficient a Management Fee and/or a Platform / Administration Fee as described under Item 5. Furthermore, it is also possible that Efficient will be paid an Incentive Fee, Management Fee and Platform Fee as described herein under Item 5. The fact that Efficient will receive compensation from certain Clients present a conflict of interest which is addressed through allocation policies that allocate assets to CTAs or IAs for trading. In addition to Efficient's fees and CTA and IA fees, each Client is subject to fees and expenses relating to operating a Fund.

Such expenses include but are not limited to brokerage fees, execution fees, custodial fees, bank fees, clearing fees, administrator fees, audit fees and legal fees.

## **ITEM 7. TYPES OF CLIENTS**

The types of Clients that Efficient currently services are Funds managed by Efficient.

Efficient's Funds are domiciled in the United States and in the Cayman Islands. The U.S. Funds only accepts investors that are "accredited investors" within the meaning of Regulation D under the Securities Act and "qualified eligible persons as defined in Rule 4.7(a) under the Commodity Exchange Act ("CEA"). The Cayman Island Funds are limited to investors that are U.S. persons who are both accredited investors and qualified eligible persons, U.S. tax-exempt investors or non-U.S. persons.

The minimums for investment into any of the Funds can range from 100,000.00 for the U.S. Funds to 1,000,000.00 and may be lower or higher depending on the factors relating to the level of customization.

The minimum investment for the Cayman Island Funds start at 1,000,000.00 and may be lower or higher depending on the factors relating to the level of customization.



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

Efficient, engages unrelated third party CTAs or IAs to trade the assets of the Clients managed by Efficient. Each CTA or IA, selected is monitored by Efficient. Every CTA or IA is instructed to trade the assets of the Client in accordance with the investment strategy or risk guidelines agreed upon between Efficient and the CTA or IA as documented in the Agreement which is entered into by the CTA or IA and the Clients managed by Efficient.

Some of Efficient's Clients also invest directly in other Clients managed by Efficient, thereby creating a Fund of Funds effect. Such investment is disclosed in the PPM or OM and its supplements to keep investors informed as to how their assets are being managed.

Efficient manages Clients that are broadly diversified across markets and underlying trading strategies. Efficient also manages Clients which may focus solely on one CTA or IA and/or a single trading strategy.

All trading strategies must meet rigorous quantitative standards. Significant effort goes into monitoring the trading strategies for changes to risk taking (style drift), increased in exposure (excessive risk), degradation of quantitative edge and performance relative to internal and external benchmarks.

Efficient allocates to a variety of trading strategies that broadly fall within two categories: long term trend followers and diversifiers (or long term trend complements).

### **Trend Followers**

Traditional Long Term Trend Following strategies are designed to find and take advantage of market directionality over 20+ trading days. Time series momentum infers continued directionality from recent returns. Breakouts, on the other hand, construct general ranges of market motion and take positions when the market moves outside of an expected range.

Differentiated Long Term Trend Following strategies are also designed to find and take advantage of market directionality over 20+ trading days. They differ from traditional long-term trend following strategies by using additional techniques to identify a trend, including macro information and trend anticipation signals.

### **Diversifiers**

Short Term Trend Following managers identify trends similarly to their longer term counterparts while maintaining a shorter trade hold duration (generally <10 days) and a greater reliance on counter trend or pattern recognition techniques.

Global Macro Discretionary strategies are designed to exploit market moves based on fundamental and technical data. Positions are taken using discretionary, as opposed to systematic, signal generation.

Unique Diversifiers exploit inconsistencies in market movement and exhibit low correlation to other trading styles/strategies. They employ a diverse set of signal generation ideas across multiple timeframes in quantifiably “unique” ways.

Trading Methods in the Futures and Foreign Exchange Markets. Futures traders typically rely on “technical” analysis, “fundamental/economic,” analysis or a combination of them, in arriving at their trading decisions.

Technical analysis is based on the theory that a study of market activity will predict future prices, and that market prices at any given time reflect all known factors affecting supply and demand. Technical analysis of the markets generally includes a study of, among other things, the daily, weekly and monthly price fluctuations and volume variations or changes in open interest. Such an approach to the futures markets may use a series of mathematical measurements and calculations designed to monitor market activity and to generate trading signals.

As opposed to technical analysis, fundamental and economic analyses rely on a study of those external factors that affect supply and demand of the underlying commodity or financial instrument. With respect to foreign exchange currency markets, for example, some of the fundamental factors that affect the demand for a currency include the inflation and interest rates of the currency’s domestic market, exchange controls, such country’s balance of trade and business and political stability.

Futures traders may also be classified as “systematic” or “discretionary” in their trading approaches. Systematic traders rely primarily on programs or models that generate trading signals, which are implemented without additional analysis once a signal is generated. For systematic traders, judgmental factors are often limited to such considerations as identification of markets to follow and the size of positions to establish. On the other hand, discretionary traders, as opposed to systematic traders, trade primarily on the basis of their judgment, with only secondary reliance, if at all, on technical analysis, such as charts or computer programs. Systematic traders frequently rely on technical analysis because technical data is readily subject to quantification. However, a trader could seek to trade systematically on the basis of fundamental information.

#### **RISK OF TECHNICAL TRADING:**

Generally, a trading approach attempts to detect trends in price movements of some scale in a particular market. Successful speculative futures trading often depends upon establishing a position and then maintaining that position while the market moves in favor of the position. Technical trading systems seek to establish such positions and to exit the market and/or establish reverse positions when the favorable trend either reverses or does not materialize. Fundamental trading systems seek to anticipate price movements by reviewing underlying economic conditions. Neither approach will be successful if the market is moving in an erratic and non-trending manner or if the market moves in the direction opposite to that predicted by the system or analysis. Because of the nature of futures markets, prices frequently may appear to be trending when they are, in fact, without a trend. In addition, a trading system may identify markets as trending favorably to a particular position in the market even though actual market performance thereafter is the opposite of the identified trend.

Technical systems that are “trend-following,” in particular, will seek to establish positions to profit from major price movements, and seldom establish a market position or exit the position at the most favorable price in the particular market trend. Rather, this type of trading system seeks to close out losing positions quickly and to hold profitable positions for as long as the trading system determines that the particular market trend continues to exist; however, there can be no assurance that profitable positions can be initiated or liquidated at the most favorable price in a particular trend since a number of other traders following similar trends may attempt to initiate or liquidate substantial positions in the market at or about the same time. Furthermore, a trend-following system typically will not establish or exit a position at either the beginning or the end of the trend. This occurs because the signal indicating that a trend is beginning or is over will typically occur sometime after the beginning or the end of the trend. As a result, the number of losing transactions can be expected to exceed substantially the number of profitable transactions. However, if a system is successful, these losses should be small and, hopefully, should be more than offset by a few large gains.

#### **RISK RELATED TO DEPENDANCE OF KEY PERSONNEL:**

Although a technical trading system normally consists of a series of fixed rules applied manually or by computer, the system still requires that the trader make subjective judgments. For example, the trader must select the commodities and markets to follow and actively trade, the contract months in which to initiate and maintain positions and whether to liquidate a position in a contract month that is about to expire and then maintain that position by initiating a position in another contract month. The unavailability of the person(s) designated to make such decisions could materially impair the operation of the trading system. There is also risk associated with discretionary traders who do not have systematic programs. The unavailability of the discretionary trader may materially impair the results related to performance if there is no designated back up to take the place of that discretionary trader.

#### **RISK RELATED TO THE VOLATILE NATURE OF FUTURES TRADING:**

The profitability of any technical trading system depends upon major price moves or trends which can be interpreted by the system as price trends sufficient to effect or close out a position. There can be no assurance that any trading strategy will produce profitable results or will not incur significant losses. Furthermore, the past performance is not necessarily indicative of future profitability. Profitable trading is often dependent on anticipating trends or trading patterns. Markets subject to random price fluctuations, rather than defined trends or patterns, may generate a series of losing trades. There have been periods in the past when the markets have been subject to limited and ill-defined price movements, and such periods may and are expected to recur. Any factor which may lessen major price trends (such as governmental controls affecting the markets) may reduce the prospect for future trading profitability. Any factor which would make it difficult to execute trades, such as reduced liquidity or extreme market developments resulting in “limit” moves (i.e., the maximum price change in a commodity futures contract permitted during a single trading session), could also be detrimental to profits. The best trading strategy, whether based on fundamental or technical analysis, generally will not be profitable if there are no trends of the kind it seeks to follow and then, even if there is a discernible trend, there can be no assurances that profits will result or that significant losses will not be incurred.

## **RISK RELATED TO THE HIGH LEVERAGE AND VOLATILITY OF FUTURES TRADING:**

Futures contracts are standardized contracts which allow the trader to buy or sell a specified asset of a standardized quantity and quality, such as bushels of grain, at a specified price with delivery and payment taking place sometime in the future. Futures contracts are traded by posting a good faith performance bond, known as margin, which is typically only 5%-15% of the value of the futures contract. Thus, for a relatively small amount of money a trader may maintain a position in the futures markets having a value substantially greater than the margin required. This ability to control assets having a value substantially greater than the margin results in futures contracts inherently having a considerable amount of embedded leverage. In addition, many, if not all, of the accounts will be traded on a “notional funding” basis, which enhances their margin usage thereby allowing trading in larger quantities of contracts. As a result, this could increase trading losses and volatility, as well as generating more brokerage fees and incentive fees being paid, since the number of trades by an account could be greater as a result of the leverage which in turn requires the Fund to generate greater profits to offset the increased brokerage fees.

## **RISK RELATED TO THE POSSIBLE DELIVERY OF PHYSICAL COMMODITIES:**

Speculative futures trading typically does not anticipate making or accepting delivery of the contract or contracts traded. In certain cases, however, it may be determined to accept or to make delivery, or market conditions may be such that an open position cannot be liquidated to avoid delivery. In the event of delivery, it may be necessary for the account to borrow funds to purchase and, where required, store the physical commodity. Such borrowing may be at rates above the market rate for short-term loans and such purchase may be above the current market rate for the commodity.

## **RISK RELATED TO INVESTING IN MONEY MARKET FUNDS**

**Call Risks.** If the securities in which the Fund invests are redeemed by the issuer before maturity (or “called”), the Fund may have to reinvest the proceeds in securities that pay a lower interest rate, which may decrease the Fund’s yield. This will most likely happen when interest rates are declining.

**Credit Risk.** Credit risk is the possibility that an issuer or counterparty will default on a security or repurchase agreement by failing to pay interest or principal when due. If an issuer defaults, the Fund may lose money. Lower credit ratings correspond to higher credit risk. Bonds rated lower than BBB or Baa have speculative characteristics.

**Government Obligations Risks.** No assurance can be given that the U.S. government will provide financial support to U.S. government sponsored agencies or instrumentalities where it is not obligated to do so by law (such as Fannie Mae or Freddie Mac). As a result, a risk exists that these entities will default on a financial obligation.

**Income Risks.** The Fund’s income could decline due to falling market interest rates. In a falling interest rate environment, the Fund may be required to invest its assets in lower-yielding securities.

**Interest Rate Risks.** Prices of fixed income securities rise and fall in response to changes in the interest rate paid by similar securities. Generally, when interest rates rise, prices of fixed income securities fall.

Interest rate changes have a greater effect on the price of fixed income securities with longer maturities. Interest rate changes also are influenced by a number of factors including government policy, inflation expectations, and supply and demand.

**Liquidity Risks.** Liquidity risk refers to the possibility that the trading market for a particular type of security becomes less liquid or the Fund may not be able to sell or buy a security or close out an investment contract at a favorable price or time. Consequently, the Fund may have to accept a lower price to sell a security, sell other securities to raise cash, or give up an investment opportunity, any of which could have a negative effect on the Fund's performance. Infrequent trading of securities also may lead to an increase in their price volatility. Illiquidity may result from political, economic, or issuer specific events or overall market disruptions. Additionally, significant redemptions by large investors in the Fund could have a material adverse effect on the Fund's other shareholders and the net asset value could be affected by forced selling during periods of high redemption pressures and/or illiquid markets.

**Management Risks.** The Adviser's judgments about the attractiveness, value, and potential appreciation of the Fund's investments may prove to be incorrect. Accordingly, no guarantee exists that the investment techniques used by the Fund's managers will produce the desired results.

**Regulatory Changes Risk.** The SEC adopted changes to the rules that govern the way in which money market funds are operated which took effect in 2016. These changes: (i) categorized all money market funds as either institutional, retail, or government money market funds; (ii) require funds operating as government money market funds to invest at least 99.5% of their assets in U.S. government securities; (iii) require institutional funds to operate with a floating net asset value; and (iv) require institutional and retail funds to adopt policies and procedures regarding "liquidity fees" and "redemption gates," and permit (but not require) government money market funds to do the same. These changes also amended the diversification, stress testing, and disclosure requirements applicable to money market funds. The full effects of the changes on the Fund's investment strategies, operations, and/or return potential are not yet known

## **CERTAIN RISK FACTORS**

Prospective investors should read the entire PPM or OM as well as consider the following risk factors before investing. The following are neither a complete explanation nor a complete list of the risks involved in investing in the Fund. An investment in the Fund involves an extremely high degree of risk, is suitable only for knowledgeable investors that can afford to lose their entire investment and should be made only after consultation with independent qualified sources of investment, legal and tax advice.

**General Investment Risks.** Investments in general present a risk of loss of capital. An investment in a Fund is highly speculative and involves substantial risks, including the risk of loss of an

investor's entire investment. The trading for Clients will be purely speculative, will be in markets that are subject to a high degree of volatility and will be subject to general economic and market conditions, such as, economic recessions or general slowdowns in the overall economy, supply and demand relationships, national and international political and economic events and changes in laws and governmental policies, which can substantially and adversely affect performance. No assurance can be given that the underlying CTAs or IAs employed for a Fund will anticipate any such changes prior to their occurrence or will react quickly enough after their occurrence so as to prevent substantial losses. In addition, no assurance can be given that any of the various strategies or programs utilized will succeed in changing economic and market conditions, or will succeed at all under any circumstances. Under certain circumstances it may not be possible to liquidate an investment immediately or for a significant period of time which could adversely affect a Client.

**Expenses May Exceed Profits; Potential Loss of Entire Investment.** To be successful, Client must generate profits and not merely avoid losses, as expenses will deplete the Client's assets in the absence of profits. Furthermore, the profits must exceed the expenses for the Client to be successful. Investors are reminded that past results are not necessarily indicative of future performance

**Substantial Redemptions.** Substantial redemptions in a Fund or withdrawals from an account in a short period could materially and adversely affect the Client by requiring trading positions to be liquidated at a time that is disadvantageous to the Client.

**Currency Hedging.** For certain Funds classes or interests of shares may be offered, sold and priced in currencies other than the U.S. dollar. Accordingly, changes in the exchange rate between the U.S. dollar and such other currencies may result in a decline in the value of the class. Although it is not required to do so, Efficient, in its discretion, may determine to use techniques to hedge the currency risk of a class. If the currency risk of a class is hedged, there is no assurance that such currency hedging activities will be successful in mitigating the currency exchange rate risk. Furthermore, although hedging transactions are intended to minimize the risk of loss due to a decline in the value of the hedged currency, such transactions may also limit any potential gain that might be realized should the value of the hedged currency increase. All costs, and any discrepancies, will be borne by the class for which such hedging activities are undertaken. To the extent that currency risk is not hedged, those assets will be subject to the risks of change not only in the value of the investment in the currency other than the U.S. dollar, but to changes in the U.S. dollar exchange rate, any of which could materially and adversely affect the performance of the affected class.

**Cash Management Services.** No Cash Manager guarantees any interest or profits will accrue on Client assets under its management. Furthermore, in view of the low interest rates currently being paid, it is anticipated that, until interest rates increase, very small amounts of interest will be earned on investments made for cash management purposes.

**The Futures and Foreign Exchange Markets Trading and Price Fluctuations.** A principal risk in futures trading is the volatility (rapid fluctuation) in market prices. The prices of futures contracts often fluctuate rapidly and over wide ranges during short periods of time, which can result in losses exceeding the available assets. Generally, the profitability of trading in futures depends primarily

on predicting trends in fluctuations in market prices, although there are exceptions to this. Prices are affected by a wide variety of complex and hard-to-predict ever changing factors, such as supply of money, inflation, weather and climatic conditions, governmental activities and regulations, political events and economic and prevailing psychological characteristics of the marketplace.

**Substantial Leverage.** To initiate and maintain a position in the futures markets amounts equal to the full value of the contracts are not required to be deposited. Instead, all that is required is a good faith performance deposit called margin. Margin is a very small percentage of the total value of the futures contract and, as a result, future contracts have a large amount of embedded leverage, (i.e., futures contracts for a large number of units (e.g., bushels or pounds) of a commodity, having a value substantially greater than the margin), and may be traded for a relatively small amount of money. Hence, a relatively small change in the market price of a futures contract can produce a corresponding large profit or loss that is disproportionate to the amount of funds deposited as margin. Losses on futures positions are not limited to the amount of margin deposited and, like other investments with embedded leverage, can result in losses far in excess of the amount invested or the equity in the account. Given the volatility of futures, such profits and losses may appear and disappear suddenly. In addition, if the value of the futures positions declines, the Client could be subject to a “margin call” requiring it to either deposit additional margin or suffer mandatory liquidation of all or part of the relevant futures positions which could potentially occur at a time that is not advantageous and could result in substantial losses.

**Notional Funding.** Notional funding will be used in trading Clients’ accounts. Notional funding allows for enhanced margin usage thereby allowing the Sub-Advisors to trade in larger quantities of contracts. In effect, notional funding allows the investor to “leverage” its cash investment by taking on additional risk for free. The “leverage” is free because the notionally funded amount is neither borrowed nor invested. As a result, this could increase trading losses and volatility as well as generating more brokerage fees.

**Illiquid Markets.** Due to market conditions and/or price fluctuations, it is not always possible to execute a buy or sell order in a futures market at the desired price, or to close out an open position. For example, if the market price of a futures contract reaches its daily price fluctuation limit trading in such contract may be restricted or nonexistent. Daily price fluctuation limits on U.S. markets are established by the exchanges and approved by the CFTC and are the maximum amount that a futures contract may increase or decrease in a trading session from its previous settlement price. If a futures contract is trading at its daily price fluctuation limit traders may be unable to liquidate a position in the contract resulting in the trade being “locked” into an adverse price movement for an indefinite time period. It may also be difficult or impossible to execute orders in markets which lack sufficient trading liquidity, thereby causing the account to incur substantial losses. No assurance can be given that the orders of the CTAs will be executed at or near the desired price or that the markets in which the CTAs effect trades will be liquid or that they will not trade in markets which may at any time become illiquid.

**Valuation Risk.** A Client’s assets may be invested in derivatives that are illiquid and/or which are difficult to value. Although such derivatives will be valued in good faith and, where possible, will be based upon a valuation by a third party, there can be no assurance that the estimated valuation

will reflect the true market value, or the value which would be realized if the position were liquidated, at the time of valuation.

Futures Trading is Very Competitive. Those trading futures will be competing with others who may have greater experience, more extensive information upon which to trade, or more sophisticated procedures, technologies and systems and greater financial resources, all of which may give them a competitive edge over others.

Possible Effects of Speculative Position Limits. The CFTC and the United States commodities exchanges have established limits referred to as “speculative position limits” on the maximum net long or net short speculative positions that any person may hold or control in specified futures or options contracts traded on United States commodities exchanges. As a result, positions maintained for Clients may have to be liquidated in order to comply with such limits at a time that is disadvantageous, which could result in substantial costs and potential loss of profits to the Clients.

Trading in Options on Commodity Futures. Although successful trading in options on futures contracts requires many of the same skills required for successful futures trading, the risks involved may be different. Options trading may be restricted in the event that trading in the underlying futures contract becomes restricted, and options markets may themselves be illiquid at times, irrespective of the condition of the market in the underlying futures contract, making it difficult to offset option positions.

Forward Trading. CTAs may enter into forward contracts in the over-the-counter market. Forward contracts and options thereon are not traded on exchanges and are not standardized. Rather, a bank or other entity will act as the agent or as the principal negotiating each transaction on an individual basis in order to make or take future delivery of a specified lot of a particular currency. Although the foreign currency market may not necessarily be more volatile than other futures markets, such forward trading may involve less protection against defaults, and therefore greater risks, than trading on exchanges. The forward and spot currency markets are substantially unregulated. There is generally no limitation on price moves nor are there speculative position limits. Furthermore, there is no exchange clearing house that “guarantees” performance of the trades (as on U.S. exchanges), thus subjecting the Clients to the risk that the bank or other counterparty to such contracts may fail, be unable or refuse to perform with respect to such contracts, thereby depriving the Clients of unrealized profits or forcing it to cover its commitments with a third party for resale, if any, at the then market price. In addition, collateral deposited with a counterparty may not be held in an account that is segregated from the counterparty’s assets, thereby subjecting such collateral to the risk that it will be available to the counterparty’s creditors. Even if the Clients’ monies are kept separate from the counterparty’s operating funds, a Client’s monies may not be safe from the claims of other general and priority creditors. Accordingly, regardless of the measures implemented by Efficient to reduce counterparty risk, there cannot be any assurance that a counterparty will not default or that a Client will not sustain losses on the transaction. Banks and other counterparties are not required to continue to make markets in forward contracts. Thus, there may be periods during which banks and other counterparties refuse to quote prices for forward contracts or quote prices with an unusually wide spread between the price at which the bank or other counterparty is prepared to buy and that at which it is prepared to sell. Accordingly,



the trading of forward contracts may involve greater risks than those accompanying trading of futures contracts on exchanges.

**Physical Delivery.** Many of the futures contracts traded provide for delivery of the underlying product at maturity of the contract. Although the CTAs do not intend to take physical delivery, if the position is not closed out or “rolled-over” into a new position prior to any delivery date for the physical commodity, significant fees and costs could be incurred, which could have a materially adverse effect on the account.

**Credit Risks Failure of Brokerage Firm or Futures Exchange.** The assets of Clients held at its clearing broker or other counterparties or institutions are subject to the risk of loss. In fact, in the recent past, there have been several well-known clearing brokers that have failed. Assets of the Clients on deposit with U.S regulated Future Commission Merchants (“FCMs”) for the trading of exchange-traded futures and options on futures are subject to the segregation requirements imposed by the CFTC. In general, segregation requires FCMs to segregate customer assets on deposit from the assets of the FCM. Thus, in the event of the FCMs insolvency or bankruptcy, segregated customer assets will not be available to satisfy the debts of the bankrupt or insolvent FCM. In the event that an FCM does not properly hold the assets of the its clients in segregation, as has occurred in the past, the Client’s assets could be at risk, in whole or in part, in the event of the FCMs insolvency. Segregation, however, does not require one customer’s assets on deposit with the FCM to be segregated from the assets of other customers. Thus, in the event of an FCMs bankruptcy, a Client generally would be limited to recovering only a pro-rata share of all available funds segregated on behalf of the FCMs combined customer accounts in the event sufficient segregated funds are not available to satisfy all such claims. Furthermore, even if a Client does not suffer any losses on its assets which are held at a bankrupt clearing broker, or other financial institution, the Client could experience losses in the markets as a result of the Client’s inability to access its assets and/or execute transactions in a timely manner or at all.

Client assets on deposit with its non-U.S. regulated clearing brokers in connection with its non-U.S. listed futures transactions are not subject to the segregation requirements of the CFTC and may be at risk in the event of the broker’s insolvency, or at least may not be subject to identical or similar customer funds protections as would be available to customers of U.S regulated clearing brokers. A significant amount of the Client’s trading activity may be with clearing brokers and other trading counterparties that are not subject to U.S. regulation.

In addition, in the event of the bankruptcy or insolvency of an exchange or its clearing house, the Client might experience a loss of funds deposited through its broker as margin with the exchange or clearing house, a loss of unrealized profits on its open positions, and the loss of funds owed to it as realized profits on closed positions.

For these reasons among others, there can be no guarantee that a Client will not lose all or a portion of its assets as a result of a broker’s, counterparty’s or other institution’s failure or for other reasons.

An investment managed by Efficient is extremely speculative, highly risky and should be considered only by an investor that does not need income by the way of distributions and can

afford to lose the entire amount invested. Risks include, but are not limited to, the speculative nature of futures, the volatility of futures, the significant use of leverage and the substantial expenses and fees which will be incurred, many of which are payable regardless of whether the Client's trading is profitable.

**Prospective investors should read the entire PPM or OM as well as consider all of the risk factors before investing. The risk factors listed herein are neither a complete explanation nor a complete list of the risks involved in investing with Efficient. An investment with Efficient involves an extremely high degree of risk, is suitable only for knowledgeable investors that can afford to lose their entire investment and should be made only after consultation with independent qualified sources of investment, legal and tax advice.**

## **ITEM 9. DISCIPLINARY INFORMATION**

Item 9 is not applicable to Adviser, as it has no reportable disciplinary information.

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

Efficient is registered as a CPO and CTA with the CFTC. Efficient is a member of NFA and its member ID# is 293441.

Efficient serves as the investment manager, also referred to as the CTA or CPO or sub-adviser, to various non-U.S. Funds and serves as the managing member to the U.S. Funds.

Efficient does not have an application pending to register as: (i) a broker-dealer; (ii) a registered representative of a broker-dealer; (iii) a futures commission merchant; or (vi) is an associated person of any such entity.

Efficient shares in the compensation that some CTAs charge to a Client. Sharing of fees agreed upon will be documented in writing between Efficient and the CTA and will be disclosed in the PPM or the OM if applicable.

Efficient also invests certain of its Clients into other Funds managed by Efficient. In such situations, Efficient waives one level of fees so as to reduce conflicts of interest in such cases where a conflict is identified.

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

Efficient has adopted a Code of Ethics, pursuant to SEC rule 204A-1, and will provide a copy of Efficient's Code of Ethics to any investor or prospective investor upon request.

Pursuant to Efficient's Code of Ethics, Efficient and its Employees agree to comply with the spirit and the letter of the Federal Securities Laws and the rules governing the capital markets."

The Code of Ethics further requires that all Employees will act with integrity, and in an ethical manner, when dealing with Clients, investors, the public, prospects, third-party service providers and fellow Employees. Employees must use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, hedging trades or trading securities, promoting Efficient's services, and engaging in other professional activities.

All Employees are expected to adhere to the highest standards with respect to any potential conflicts of interest with Clients. As a fiduciary, Efficient must act in its Clients' best interests. Neither Efficient, nor any Employee should ever benefit at the expense of any Client.

### **Conflicts of Interest**

Conflicts of interest may exist between various individuals and entities, including Efficient, Employees, and current or prospective Clients and investors. Any failure to identify or properly address a conflict can have severe negative repercussions for Efficient, its Employees, and/or

Clients and investors. In some cases the improper handling of a conflict could result in litigation and/or disciplinary action. Employees must use good judgment in identifying and responding appropriately to actual or apparent conflicts. Conflicts of interest that involve Efficient and/or its Employees on one hand, and Clients and/or investors on the other hand, will generally be fully disclosed and/or resolved in a way that favors the interests of Clients and/or investors over the interests of Efficient and its Employees. See ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS for more information regarding conflicts regarding fee sharing and Efficient’s Clients investing in other Funds.

### **Personal Securities Transactions**

Efficient allows its employees to trade personal securities. Efficient’s Code of Ethics states that employee trades should be executed in a manner consistent with Efficient’s fiduciary obligations to its Clients. Trades should avoid actual or apparent improprieties and should not be so excessive as to conflict with the Employee’s ability to fulfill daily job responsibilities. Any Efficient employee that engaged in personal securities trading is required to report their personal securities holdings to Efficient. Efficient’s compliance officer will pre-clear private placements and participation in IPOs.

Efficient also allows its employees to trade personal futures and options on futures. Employees must report their trading to Efficient’s compliance officer for review on a monthly basis. Since Efficient does not purchase or sell futures or options on futures for itself or its Clients, there is no restriction or pre-clearance needed with respect to trading futures or options on futures.

## **ITEM 12. BROKERAGE PRACTICES**

Efficient utilizes various Futures Commission Merchants (“FCMs”) and Prime Brokers (“PBs”) which clear trades for the Clients. Efficient does not receive any soft-dollar benefits relating to the clearing of the trades. Efficient will perform a due diligence on each FCM and PB to ensure that it meets the standards set forth in Efficient’s Compliance Manual.

FCMs and PBs are selected based upon their ability to service the Clients of Efficient. Efficient will take into consideration the range of the FCMs and PBs services, including but not limited to: the commissions they charge for services, their ability to clear trades on a global basis, the costs of executing trades, the ability to price trades accurately and deliver statements on a timely basis each day. Reputation, credit worthiness, integrity and customer service are also an important part of the selection process.

Trading at the FCMs and PBs are executed by unrelated CTAs or IAs and therefore those trades are not and cannot be aggregated for execution.

## **ITEM 13. REVIEW OF ACCOUNTS**

Monitoring and review of accounts:

Efficient’s risk team and investment team review all of Efficient’s Clients on a daily basis. The review consists of monitoring the types and size of trades, and ensuring that only permissible contracts are traded as agreed upon by Efficient and the CTAs or IAs. Efficient’s investment professionals will take appropriate action should it be determined that an adjustment should be made to rebalance a Client.

Efficient’s has contracted an independent administrator to review all accounts and provide investors with statements showing the NAV of their investment. Even though Efficient is not responsible for calculating the NAV for the Clients, Efficient’s Operations and Risk Departments review all accounts and perform a reasonability check on a daily basis. Such a review is performed to ensure that the administrator is calculating the NAV appropriately and that the risk parameters for the Clients are in balance. Efficient’s Clients utilize the services of an independent public accounting firm to prepare the audited financial statements which are delivered generally within 120 days of the end of each fiscal year end.

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

Efficient has not received any client referrals and as of this date does not compensate any individuals or firms for client referrals.

Although Efficient does not currently compensate for client referrals, Efficient may from time to time engage one or more persons to act as a placement agent in connection with the offer and sale of interests in the Funds. Such persons generally will receive a fee for such referral based upon the agreed upon fee as documented in the agreement between the placement agent and Efficient.

#### **ITEM 15. CUSTODY**

Efficient uses the services of independent third party qualified custodians. Those custodians send their statements to the Administrator who then compiles the information and produces a monthly statement for each Client. The Administrator sends the monthly statement directly to each investor. Efficient does not send any statements to investors. To satisfy the custody rule and its obligations under the CFTC rule, Efficient has its Clients audited on annual basis by an independent PCAOB registered and inspected accountant and distributes them to its investors within 120 days of the end of the Client's fiscal year.

#### **ITEM 16. INVESTMENT DISCRETION**

Efficient utilizes discretion in the selection, due diligence, hiring and firing of external CTAs or IAs for each of the Clients that it manages. Efficient also utilizes discretion when converting foreign exchange currencies to US Dollars and hedging those positions for the various s that are domiciled in a currency other than US Dollars.

#### **ITEM 17. VOTING CLIENT SECURITIES**

In compliance with SEC rule 206(4)-6 of the Advisers Act, Efficient has adopted Proxy Voting Policies and Procedures. Proxies are assets of Efficient's Clients that must be voted with diligence, care, and loyalty. Efficient will vote each proxy in accordance with its fiduciary duty. Efficient will generally seek to vote proxies in a way that maximizes the value of Clients' assets. Efficient has adopted policies and procedures to ensure that proxies are properly identified and voted and that any conflicts of interest are addressed appropriately.

As of the date of this Brochure, only one Client holds voting securities.

A copy of these policies and procedures are made available upon receipt of a request sent to Efficient's Chief Compliance Officer at [complaine@efficient.com](mailto:complaine@efficient.com).

## **ITEM 18. FINANCIAL INFORMATION**

Items 18 A., B. and C. are not applicable to Efficient.

## **ITEM 19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Item 19 is not applicable to Adviser as it is not registered with any State securities authority.