

ITEM 1. COVER PAGE FOR PART 2A OF FORM ADV: FIRM BROCHURE



DISCLOSURE BROCHURE

March 31, 2017

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*This brochure provides information about the qualifications and business practices of Belle Haven Investments. If you have any questions about the contents of this brochure, please contact us at (914) 816-4633. Our website is [www.bellehaven.com](http://www.bellehaven.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Belle Haven Investments is a registered investment advisor with the Securities and Exchange Commission. Registration of an investment advisor does not imply any level of skill or training.*

*Additional information about Belle Haven Investments is also available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).*

**ITEM 2. MATERIAL CHANGES**

There were no material changes to this brochure since the last updating amendment files March 30, 2016. You may request a copy of our current brochure at any time, which we will provide to you free of charge. If you would like to request a copy of our current brochure, please contact Laura Chapman at (914) 816-4633.

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## **ITEM 4. ADVISORY BUSINESS**

### **A. THE FIRM AND PRINCIPAL OWNERS**

Belle Haven Investments, L.P., ("the Firm" or "Belle Haven") provides professional fixed income investment management services to clients through sub-advisory relationships with other investment advisors. We also provide such services to our advisory clients. The Firm also acts as sub-advisor to an investment company registered under the Investment Company Act of 1940 and a portfolio manager for one or more wrap fee programs. The Firm's principal owner is Matt Dalton.

### **B. TYPES OF SERVICES OFFERED**

#### **SEPARATELY MANAGED ACCOUNTS**

We offer several fixed income strategies for separately managed accounts. We generally provide advice with respect to fixed income securities.

Where we act as a sub-advisor to other registered investment advisors we receive the suitability determination, investment objective and any restrictions from the advisor with which the client has a primary relationship. For our advisory clients, we may consult with clients and/or their representatives about the client's financial situation, investment objectives, any restrictions they may have and their tax situation. Accounts may be funded with securities, some of which may not be consistent with the strategy's objectives. Such securities will be sold in an orderly fashion to make the portfolio consistent with those objectives.

Once we purchase the fixed income securities for a client's portfolio, we monitor the activity in the client account on a regular basis. We will purchase and sell securities as the strategy dictates.

#### **BELLE HAVEN AGGRESSIVE MUNI FUND, L.P.**

We also provide discretionary investment advice to Belle Haven Aggressive Muni Fund, L.P. ("BHAM"). This is a private offering of limited partnership interests with a minimum initial investment of one million dollars (\$1,000,000) and minimum additional investments of one hundred thousand dollars (\$100,000). Belle Haven Capital Management, Inc. an affiliated company is the general partner (the "General Partner"). BHAM invests primarily in tax-exempt municipal securities with, on average, lower credit quality and longer duration (duration is a way to compare how different bonds will react to interest rate changes) than in our other fixed income strategies. From time to time, BHAM may invest in taxable securities as well as securities subject to the alternative minimum tax.

BHAM anticipates higher turnover than would typically be expected among separately managed individual portfolios. In addition, BHAM has the ability to trade derivatives, closed-end funds, and high dividend paying equities, as well as to employ leverage. We offer this investment to investors whose investment objectives match that of BHAM and only if such investors are "qualified clients," as defined under Rule 205-3 of the Investment Advisers Act of 1940.

#### **SUB-ADVISOR TO REGISTERED INVESTMENT COMPANY**

The Firm acts as a sub-advisor to the Transamerica Funds, an open-end investment company registered under the Investment Company Act of 1940. Specifically, the Firm provides sub-advisory services to the Transamerica Intermediate Muni Fund and the Transamerica High-Yield Muni Fund ("the Mutual Funds"), separate investment portfolios of the Transamerica Funds represented by a separate series of shares.

### **C. LEVEL OF SERVICE OFFERED**

Generally, we manage client accounts in accordance with our strategies. We do allow restrictions on separately managed accounts. The imposition of certain restrictions may have a significant impact on performance and the timing of strategy implementation.

For BHAM and the Mutual Funds, the investment guidelines are outlined in the offering documents. Investors may not impose any restrictions on those investment programs.

#### **D. PORTFOLIO MANAGEMENT SERVICE TO WRAP FEE PROGRAMS**

As a subadvisor, we provide portfolio management services to several wrap fee programs. We manage wrap fee accounts in the same manner as accounts not under a wrap fee program. Wrap fee accounts typically enter into an agreement with the wrap fee program sponsor and the sponsor enters into a sub-advisory agreement with us. As compensation for our services we receive a portion of the wrap fee paid to the wrap fee sponsor.

#### **E. ASSETS UNDER MANAGEMENT**

As February 28, 2017, Belle Haven Investments had a total of \$ \$5,622,916,616 in discretionary regulatory assets under management (RAUM) and \$0 in non-discretionary assets under management.

### **ITEM 5. FEES AND COMPENSATION**

#### **A. FEES AND COMPENSATION**

##### **SEPARATELY MANAGED ACCOUNTS**

We receive fees based on a percentage of assets under management. The fee table below describes the fees that you may pay to Belle Haven if you have a separate account with through our broker/dealer; however, fees may be negotiable. Fees for separately managed accounts for subadvisory services are negotiated between the advisor and Belle Haven; such fees may not be reflected in the table below.

The fee schedule is as follows:

Strategy	Fee for Direct Retail Accounts
Cash Management	0.50%
Ladder PLUS	0.50%
Muni PLUS	1.00%
Taxable Ladder PLUS	0.50%
Taxable PLUS	1.00%

#### **BELLE HAVEN AGGRESSIVE MUNI FUND, L.P.**

For each limited partner, the management fee quarterly rate is 0.3125% (1.25% per year). BHAM does not charge a performance fee. We may waive all or any portion of the management fee with respect to any limited partner.

#### **TRANSAMERICA MUTUAL FUNDS**

Fees for sub-advisory services provided to the Transamerica Mutual Funds are negotiated between the Firm and the principal advisor for the Mutual Funds and the fees are set forth in the sub-advisory agreement between the advisor and the Firm.

## **B. METHOD OF CALCULATION AND PAYMENT**

In cases where we are the advisor to separately managed accounts, we deduct client fees from their accounts. We generally bill clients quarterly. Where we act as a subadvisor to other advisors for separately managed accounts, we may deduct the fee directly from the advisor's client account or the advisor may bill the client on our behalf and remit payment to us. Fees may be paid in advance or in arrears based upon the terms of the client agreement.

In the case where we act as sub-advisor to the Mutual Funds, we receive our fee monthly in arrears.

## **C. OTHER FEES AND EXPENSES**

Depending on the custodial or platform arrangements, certain accounts are charged a per trade transaction fee of up to \$10 by Belle Haven to cover transaction charges and other miscellaneous charges that are assessed to the Firm by our clearing firm, Pershing. For a small number of accounts the management fees outlined above include the investment management fee as well as transaction charges and other miscellaneous fees. For those accounts held at a custodian other than Pershing, the client pays the transaction fee described above and may be subject to additional per transaction fees negotiated between the client's primary advisor and their custodial firm. Such fees are not determined by nor remitted to Belle Haven. Therefore, clients that do not use Pershing as the custodian may pay more in overall fees than clients that use Pershing as the custodian. Transaction fees may be negotiable.

At times, a portion of client assets are held in a money market fund, mutual fund or ETF. In those cases, the client is charged fees imposed directly by the mutual fund or ETF, e.g. fund management fees and other fund expenses. For IRAs and qualified retirement plans, the client will be charged plan fees as applicable.

We and our representatives do not share in these fees.

Our broker-dealer executes transactions on an agency basis for our advisory clients. We do not charge any commissions to the client. Please refer to Item 12 of this brochure that discusses brokerage.

## **D. PREPAYMENT OF FEES**

If a client agreement is terminated prior to the end of the billing period and fees are paid in advance by the client to their primary advisor, the client will receive a pro-rated refund of fees from their primary advisor based upon the number of days remaining in the billing cycle. Belle Haven does not receive any fees, whether billed in advance or arrears, until after the quarter end; thus all refunds will be handled through the primary advisor.

## **E. OTHER COMPENSATION**

1. We do not charge commissions or markups for transactions in the Firm's advisory accounts.

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

Neither we nor our supervised persons charge performance-based fees on client accounts.

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

We provide investment advice to individuals, high net worth individuals and families, pension and profit sharing plans, registered investment companies, charitable organizations, business organizations, religious organizations, hospitals, insurance companies, educational institutions and BHAM.

We have a minimum opening investment amount for our separately managed accounts of two hundred fifty thousand dollars (\$250,000) and one million dollars (\$1,000,000) for BHAM. We have discretion to modify the minimum amount requirements.

We are also engaged by other investment advisors as a sub-advisor to manage separately managed accounts for their clients and as a portfolio manager to various wrap fee programs.

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

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

For our fixed income strategies, we use an investment approach based on: security selection, diversification, trade execution and credit monitoring in building portfolios. We actively manage portfolios in terms of duration and credit to ensure they match the client's chosen investment strategy. We also look for opportunistic trades in portfolios to enhance investment returns.

We currently specialize in managing fixed income portfolios. Like all investments, fixed income involves different levels of risk, including the potential to lose some or all of the money you invest, so you should be prepared for this possibility.

### **B. MATERIAL RISKS ASSOCIATED WITH FIXED INCOME SECURITIES**

1. We offer several fixed income strategies for separately managed accounts that primarily invest in tax-exempt or taxable securities. Risks associated with such fixed income investments are described below.

#### **a. Credit Risk**

The financial soundness of an issuer (borrower) is often measured by a credit rating agency such as Standard & Poor's, Moody's or Fitch. The rating agencies attempt to measure the ability of an issuer to pay the interest and principal payments on their debt.

#### **b. Liquidity Risk**

Liquidity risk is the risk that there may be limited buyers for a security when an investor wants to sell. Typically, this results in a discounted sale price in order to attract a buyer. Bonds that are lower quality or have restrictions generally have higher liquidity risk.

#### **c. Default Risk**

A default occurs when an issuer fails to make payment on a principal or interest payment.

#### **d. Event Risk**

Event risk is difficult to predict because it may involve natural disasters such as earthquakes or hurricanes, as well as changes in circumstance from regulators or political bodies.

#### **e. Political Risk**

Political risk is the risk associated with the laws of the country, or to events that may occur there. Particular political events such as a government's change in policy would restrict the flow of capital.

#### **f. Market Risk**

Market risk refers to the bond market as a whole declining, causing the value of all securities to decline regardless of the individual characteristics of a particular security.

**g. Duration Risk**

Duration is a way to measure a bond's price sensitivity to changes in interest rates. The duration of a bond is determined by its maturity date, coupon rate and call feature. Duration is a way to compare how different bonds will react to interest rate changes. If a bond has duration of five (5) years it means that the value of that security will decline by approximately five percent (5%) for every one percent (1%) increase in interest rates.

**h. Inflation Risk**

Inflation is the decline in the purchasing power of a dollar, meaning today's dollar will buy less tomorrow. In other words, the purchasing power of a bond's future interest and principal payments will be reduced. Typically, in an inflationary environment interest rates will rise as well, causing the value of bond holding to decline.

**i. Interest Rate Risk**

Interest rate risk refers to the relationship between the value of a bond and changing interest rates. A rise in interest rates will cause a decline in the value of a bond holding.

**j. Reinvestment Risk**

Reinvestment risk is the risk that future interest and principal payments may be reinvested at lower yields due to declining interest rates.

**k. Tax Risk**

For municipal bonds, depending on the client's state of residence, the interest earned on certain bonds may not be tax-exempt at the state level.

**l. Disclosure Risk**

The amount of public information available on municipal bonds is generally less than that for corporate bonds or equities.

**m. Regulatory Risk**

Market participants are subject to rules and regulations imposed by one or more regulators. Changes to these rules and regulations could have an adverse effect on the value of an investment.

2. There are inherent risks associated with investments in pooled investment funds. For risks associated with an investment in BHAM please refer to BHAM offering documents for a detailed disclosure of these risks.

**C. MATERIAL RISKS ASSOCIATED WITH CERTAIN SECURITIES**

See Item B. above

**ITEM 9 . DISCIPLINARY INFORMATION**

Belle Haven Investments, L.P., has two divisions: its SEC registered investment advisory unit and its broker-dealer unit.

The investment advisory unit has not been the subject of any disciplinary or legal actions.

Belle Haven's broker-dealer unit has been the subject of the following reporting and administrative disciplinary events:

In 2009, without admitting or denying the allegations or findings of FINRA, we consented to the imposition of a censure and a fine in the amount of thirty-two thousand five hundred dollars (\$32,500) in connection with the following:

1. From 2006 to 2008, for failure to report five hundred and twenty-four (524) trades to the Municipal Securities Rulemaking Board's ("MSRB") RTRS systems and for supervisory failures associated with this failure to report.

The late trade reporting violation is based upon the requirement that broker-dealers trading in municipal securities are required to report municipal transactions to the MSRB within a prescribed period of time.

In 2015, without admitting or denying the allegations or findings of FINRA, we consented to the imposition of a censure and a fine in the amount of twenty-two thousand five hundred dollars (\$22,500). FINRA found various violations of FINRA and SEC Rules relating to 2013 trade reporting to the Trade Reporting and Compliance Engine ("TRACE") and the Municipal Securities Rulemaking Board's ("MSRB") Real-time Transaction Reporting System ("RTRS") rules.

A portion of the trade reporting violation is based upon the requirement that broker-dealers trading in municipal securities, corporate debt securities and securitized products are required to report transactions to the regulatory vehicle designated for trade reporting within 15 minutes of the transaction.

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

### **A. BROKER DEALER AFFILIATIONS**

We are a registered broker-dealer. Firm employees hold various FINRA licenses.

### **B. COMMODITY FUTURES AFFILIATIONS**

We and our management persons are not registered and do not have an application pending to register as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of these entities.

### **C. OTHER AFFILIATIONS**

1. We are registered with the SEC and FINRA as a broker-dealer that deals primarily in fixed income securities on behalf of our advisory clients and certain institutional brokerage customers. Some advisory clients of Belle Haven Investments, L.P. also have separate brokerage accounts. In order to avoid any conflict, we execute brokerage transactions for brokerage customers only on an unsolicited basis. The following management persons spend the stated percentage of time on the activities of our broker-dealer:

Matthew Dalton, CEO – fifteen percent (15%);

Laura Chapman, COO, CCO– twenty percent (20%);

Laurie Manion, Vice President, Compliance – thirty percent (30%); and,

Stephen Schum, CFO – fifty percent (50%).

While these persons do devote some time to the broker-dealer, we believe that the time spent by these management persons does not impact the effectiveness of the advisory services that they provide. In addition, a substantial portion of the time spent on broker-dealer activities by these management persons is devoted to transactions involving our advisory clients.



2. Qualified investors may invest in the Belle Haven Aggressive Muni Fund, L.P. This is a private offering of limited partnership interests. Belle Haven Capital Management, Inc., an affiliated company, serves as the General Partner. BHAM invests primarily in tax-exempt municipal securities with, on average, lower credit quality and longer duration than in the other fixed income strategies outlined above. Belle Haven receives a higher management fee for BHAM than any of the separately managed account strategies. We address this potential conflict by conducting a review of the client's risk tolerance and suitability and recommend the appropriate strategy in accordance with that evaluation, without regard to the fees we may earn.

#### **D. RECOMMENDATION OR SELECTION OF OTHER INVESTMENT ADVISORS**

We do not recommend or select other investment advisors for our clients or receive compensation directly or indirectly from any advisors that creates a material conflict of interest.

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

#### **A. SUMMARY OF CODE OF ETHICS**

We have adopted a Code of Ethics ("Code") that describes the standards of conduct required from employees, including the protection of material non-public information related to publicly traded companies. The Code requires that all of our supervised persons comply with applicable securities laws. The Code also includes provisions that require any supervised person to report any violations of the Code promptly to our Chief Compliance Officer, and to other persons designated from time to time. Each supervised person receives a copy of the Code, including any amendments, and acknowledges such receipt in writing.

The Code requires all access persons to pre-clear personal securities transactions with a designated principal of the Firm. Access persons are also required to report, and compliance staff to review, all personal securities transactions no less frequently than quarterly. Access persons are required to file initial holdings reports that disclose all of their securities holdings when they first become access persons and annual holdings reports and quarterly transactions reports once we employ them.

A copy of our Code of Ethics is available upon request by contacting Laura Chapman at (914) 816-4633.

#### **B. RECOMMENDATIONS TO THE CLIENTS OF SECURITIES IN WHICH WE HAVE A BENEFICIAL INTEREST**

Certain clients may invest in BHAM. This is a private offering of limited partnership interests whose General Partner is an affiliated company, Belle Haven Capital Management, Inc. We may recommend this opportunity to those clients whose investment objectives match that of BHAM and only if such an investor is a "qualified client," as defined under Rule 205-3 of the Investment Advisers Act of 1940. A conflict of interest exists because the General Partner of BHAM is partially owned by our principal owner. Therefore, indirectly, we have a financial interest in BHAM. In addition, Belle Haven receives a higher management fee for BHAM than any SMA strategies.

We address this conflict by having a policy to manage all advisory accounts within the investment guidelines of each account, without regard to the differences in fees that we may earn.

#### **C. INVESTING IN THE SAME SECURITIES AS CLIENTS**

We generally do not permit our employees to trade in the same securities as those held by clients.

#### **D. RECOMMENDING SECURITIES TO CLIENTS AND TRADING IN THOSE SECURITIES**

See Item 11(C) above for personal trading conflicts.

## **ITEM 12. BROKERAGE PRACTICES**

### **A. FACTORS IN BROKER SELECTION**

Belle Haven has the authority to select brokers or dealers to execute securities transactions on behalf of the client, including the authority to select Belle Haven in its capacity as a broker-dealer. Belle Haven normally acts as broker-dealer for client transactions subject to its duty to provide best execution. In these transactions, Belle Haven does not charge commissions, mark-ups or mark-downs on such trades.

Belle Haven uses its best efforts to obtain the best available price and most favorable execution with respect to all portfolio transactions executed on behalf of its clients. "Best available price and most favorable execution" is defined to mean the execution of a particular transaction at the price and commission that provides the most favorable resultant price reasonably obtainable under the circumstances.

We believe we can provide quality execution due to the broad market access provided to us as a broker-dealer and the fact that we do not charge commissions, mark-ups or mark-downs on these transactions. We have the ability to direct trades to other broker-dealers in any case where we believe that we are not able to obtain quality execution.

Also, please see our discussion under Item 8(A) regarding details on our investment approach.

We conduct a periodic systematic review of the execution quality of our client trades.

#### **1. Research and Other Soft Dollar Benefits**

We do not use client funds to purchase research or other products or services.

#### **2. Brokerage for Client Referrals**

We do not receive client referrals in exchange for directing brokerage business.

#### **3. Directed Brokerage**

Clients are not permitted to direct trades to another broker-dealer.

### **B. AGGREGATING THE PURCHASE OR SALE OF SECURITIES FOR CLIENT ACCOUNTS**

#### **PURCHASE ALLOCATION PROCEDURES**

We first determine the appropriate strategy(s) for a particular purchase based on the bonds' characteristics. We then allocate, at our discretion, among accounts determined to be eligible, using a qualitative and quantitative allocation procedure which utilizes several portfolio characteristics including, but not limited to, maturity, average coupon (interest rate), duration, sector, state of origin, rating, and percentage of cash on hand relative to the value of the client's portfolio. Our goal in allocating securities in this qualitative and quantitative manner is to treat all accounts fairly.

In certain instances we purchase securities suitable for one or more of our investment strategies in smaller sizes, referred to in the industry as odd lots, to take advantage of the pricing benefit of odd lots in the fixed income markets. An odd lot of bonds is a lot of a specific bond whose par value is less than one hundred thousand dollars (\$100,000). Because of this approach each individual purchase generally will not be adequate to fill the portfolio requirements of all the accounts. Bonds are acquired based on various criteria and then allocated to the client account(s) that we believe are most suitable for such a security based on the allocation procedures listed above.

We may also purchase securities suitable for one or more of our investment strategies in round lots of greater than one hundred thousand dollars. Each individual round lot purchase may not be adequate to fill the portfolio requirements of all the accounts. Bonds are acquired based on various criteria and then allocated to the client account(s) that we believe are most suitable for such a security based on the allocation procedures listed above. There may be instances when a suitable account does not receive an allocation.

Given the varying nature of investment objectives and restrictions, exceptions to this quantitative approach will occur. In these instances we will use our discretion to allocate in a fair and equitable fashion in accordance with a particular investment mandate.

## **SELLING ALLOCATION PROCEDURES FOR ALL STRATEGIES**

Generally the sale of a security is a pre allocated trade as described below for a specific account. In the instance that a security is sold for an opportunistic or restructuring purpose and that security is held across multiple accounts we allocate the sale at our discretion among accounts, giving priority to clients with the lowest cash balance. Consideration is also taken to match the order size of the sale to the portfolio holdings in an effort to allocate in the most cost efficient and equitable manner. At times odd lots may be less liquid than round lots potentially resulting in a lower sale price. In addition should the firm have to use another broker dealer to liquidate a position there may be an additional cost as a result of the mark up charged by the other broker dealer.

## **PRE ALLOCATED TRADES**

Investment decisions to buy or sell certain securities for a particular account are dependent upon many factors, including, but not limited to the client's investment objectives, restrictions, cash needs or availability, tax considerations, target duration and credit quality. These considerations may result in a portfolio manager targeting certain securities for purchase or sale for an account(s) prior to the trade execution. These transactions will not go through the allocation process above but rather will be allocated to the account(s) for which the order was placed on a pre trade basis. In the instance that the order is not filled the bonds will be allocated on a pro rata basis unless the pro rata allocation violates a portfolio mandate in which instance the portfolio manager will use his discretion to allocate in the most equitable manner.

## **ALLOCATIONS AMONG SEPARATE ACCOUNTS, BHAM ,THE TRANSAMERICA HIGH-YIELD MUNI FUND, AND THE TRANSAMERICA INTERMEDIATE MUNI FUND**

On the occasions where bonds would be suitable for separate accounts , BHAM , High Yield Muni Mutual Fund and the Intermediate Muni Mutual Fund, the allocation methods described above may apply where practicable. If not practicable, the portfolio manager will use his discretion to allocate in the most equitable manner.

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

### **A. PERIODIC REVIEW OF CLIENT ACCOUNTS**

A member of the operations team reviews all new, separate account paperwork when received.

Accounts are being reviewed periodically by a member of the portfolio management team to ensure that the portfolio characteristics are appropriate for the selected strategy.

### **B. REVIEW OF CLIENT ACCOUNTS ON OTHER THAN PERIODIC BASIS**

A variety of factors will determine reviews in addition to or as a result of the periodic account reviews discussed above. These may include contributions to or withdrawals of cash from an account; a change in

the investment objectives or restrictions on an account; and client requests, such as for tax-loss selling or information regarding performance or structure.

### **C. CONTENT AND FREQUENCY OF CLIENT REPORTS**

The client, or someone the client designates, receives a confirmation of each transaction directly from the custodian. Clients also receive statements directly from the custodian at least quarterly. In addition, we provide clients, upon their request, a monthly portfolio report.

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

### **A. ECONOMIC BENEFITS FROM THIRD PARTIES**

We do not receive an economic benefit for providing investment advice from anyone other than clients.

### **B. COMPENSATION TO THIRD PARTIES FOR REFERRALS –**

We have a Third Party Marketing Agreement with an unaffiliated broker/dealer. The unaffiliated broker/dealer receives a portion of the management fee for investors that they refer to BHAM.

## **ITEM 15. CUSTODY**

We do not maintain physical custody of client funds and securities for separately managed accounts. For BHAM, we are considered to have custody because our affiliate can direct the movement of funds and securities. Investors in BHAM receive annual audited financial statements within 120 days of BHAM's fiscal year end.

All of our clients receive monthly or quarterly account statements directly from the custodian. Clients should carefully review the account statements they receive from the custodian. If we send reports to clients, we note on such reports that clients are urged to compare the information that they receive from their custodians to those that they receive from us.

## **ITEM 16. INVESTMENT DISCRETION**

There are four ways in which Belle Haven establishes discretionary authority to trade an account:

For accounts for which we act as subadvisor, discretion is granted to us pursuant to the investment advisory agreement between the advisors and their clients and our subadvisory agreement with the advisor.

For other separately managed account clients sign a discretionary investment management agreement before we will manage their accounts. The investment management agreement gives us the right to choose both the amount and type of security to be traded within a specified investment strategy selected by the client. Clients are permitted to impose certain reasonable restrictions on this discretionary authority.

For BHAM, investment discretion is granted to us through the offering documents and the partnership agreement.

For the Mutual Funds, investment discretion is granted to us through the subadvisory agreement with the Mutual Fund Advisor.

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

In cases where the Firm is obligated to vote proxies, the custodian or other authorized party will forward the proxies to the Firm and the Firm will take the necessary actions regarding the proxies.

Under Section 206(4)-6 of the Advisers Act, the Firm has implemented written policies and procedures governing its proxy voting activities. The Firm's written policy requires it to vote proxies in the best interest

of clients. However, the policy permits the Firm to abstain from proxy votes when: (i) in the reasonable opinion of the Firm, the outcome of the vote most likely will not be determined by how the Firm may vote and thus the cost of voting appears to exceed the potential benefit to clients; or (ii) the subject of the vote does not appear likely to have a material impact on the value of the investment held by clients.

The Firm recognizes that from time to time there may be a conflict of interest or potential conflict of interest between itself and clients with respect to the voting of proxies of certain. If the Firm determines that a material conflict exists between the Firm's interest and the client's interest, it will maintain documentation evidencing the resolution, which may include a recommendation from an independent third party.

Clients may contact the Firm's CCO at (914) 816-4633 for a copy of the proxy policy and information with respect to how the Firm voted a proxy.

## **ITEM 18. FINANCIAL INFORMATION**

We do not have any financial condition to disclose that is likely to impair our ability to meet our contractual commitments to our clients. We have never been the subject of a bankruptcy petition.

## **OTHER CONFLICTS AND RISKS**

### **VALUATION**

We have a duty to ensure that client portfolios are valued properly.

There is a conflict of interest for us because the compensation we earn on advisory accounts is based on assets under management, so we have an incentive to assign a higher value to client portfolios. We address this conflict by monitoring pricing differences on a month to month basis. When the pricing differential from the previous month is above a certain threshold, we have an objective method of assigning the value to the security without regard to whether the assigned value would result in a higher or lower fee to us.

### **CROSS TRADES**

When we determine that an account we manage needs to liquidate securities, we may sell the securities to another advisory client in need of securities of the same type when such transaction benefits both accounts.

When a client wants to sell bonds, a member of the Investment Team will bid, in a blind bidding process, on the bonds on behalf of our advisory clients in the same manner as it would for bonds from third parties in the market. These bonds will also be put out for bid to at least one ECN platform. If Belle Haven is the highest bidder, it may buy the bonds for its advisory clients, subject to the prescribed allocation procedures. If Belle Haven is not the highest bidder, the bonds may be sold to the highest bidder and no cross trade may take place. Our decision regarding the execution of trades on behalf of clients who are selling bonds is in accordance with our duty of best execution. Belle Haven generally seeks bids from at least two other major ECN platforms. Various circumstances may influence the number of bids sought based on liquidity demands, market conditions, time, size, type of security and administrative resources.

We do not receive compensation for such internal cross trades other than our normal advisory compensation as set forth in the client advisory agreement.

### **TRADE ERRORS**

On occasion, a trading error may occur in a client account that results in a loss or a profit to the client.

1. If the Firm caused the error and the error resulted in a loss to the client's account, the Firm corrects the error to place the client in the same position as if the error had not occurred.

2. If the Firm caused the error and the error resulted in a profit to the client account, then either the profit is retained by the client or, at direction of the client, the Firm corrects the error to place the client in the same position as if the error had not occurred.
3. If the error is not caused by the Firm, the party that caused the error is responsible to correct the results of the error.