

## Item 1 – Cover Page



Adviser Brochure

Form ADV Part 2A

Ranger Alternative Management, L.P.

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March 31, 2020

This Brochure provides information about the qualifications and business practices of Ranger Alternative Management, L.P. If you have any questions about the contents of this Brochure, please contact us at (214) 871-5200. 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.

Ranger Alternative Management, L.P. registered with the United States Securities and Exchange Commission in May 2008 in accordance with the Investment Advisers Act of 1940. Registration as an investment adviser does not imply any level of skill or training.

Additional information about Ranger Alternative Management, L.P. (CRD # 145543) is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about persons who are both affiliated with Ranger Alternative Management, L.P. and registered as investment advisers with the SEC.

**REFERENCES AND DISCLOSURES RELATING TO THE RANGER EQUITY BEAR ETF (THE "RANGER ETF"), INCLUDING BUT NOT LIMITED TO: (I) THE INVESTMENT OBJECTIVE, STRATEGIES, RESTRICTIONS AND MANAGEMENT OF THE RANGER ETF, (II) RISKS AND CONFLICTS OF INTEREST ASSOCIATED WITH AN INVESTMENT IN THE RANGER ETF, (III) DESCRIPTIONS OF SECURITIES PERMISSIBLE FOR INVESTMENT BY THE RANGER ETF, AND (IV) TERMS FOR INVESTMENT WITHIN A THE RANGER ETF ARE QUALIFIED IN THEIR ENTIRETY BY AND SHOULD BE READ IN CONJUNCTION WITH THE RANGER ETF'S OFFERING DOCUMENTS, INCLUDING WITHOUT LIMITATION, ANY PROSPECTUS AND STATEMENT OF ADDITIONAL INFORMATION APPLICABLE TO THE RANGER ETF. PROSPECTIVE INVESTORS ARE STRONGLY ENCOURAGED TO REVIEW OFFERING DOCUMENTS CAREFULLY, AND CONSULT THEIR INDIVIDUAL FINANCIAL, LEGAL OR TAX ADVISORS PRIOR TO MAKING AN INVESTMENT. INFORMATION ABOUT WHAT OFFERING DOCUMENTS AND OPERATING AGREEMENTS ARE AVAILABLE FOR REVIEW BY A PROSPECTIVE INVESTOR, ALONG WITH APPLICABLE COPIES OF SUCH DOCUMENTS, IS AVAILABLE ON THE RANGER ETF'S WEBSITE AT: [HTTPS://ADVISORSHARES.COM/ETFS/HDGE/#HDGE](https://advisorshares.com/etfs/hdge/#hdge)**

## Item 2 – Material Changes

SEC rules require Ranger Alternative Management, L.P. (“Ranger” or the “Firm”), and other registered investment advisers, to provide its Clients with a copy of its Form ADV 2 within 120 days of the close of its fiscal year, as well as on an ongoing basis when material changes make such disclosures necessary. Ranger’s Form ADV 2 is intended to provide its Clients with a clearly written and meaningful disclosure, in plain English, about Ranger’s business practices, conflicts of interest and advisory personnel.

Ranger’s Form ADV 2 is divided into two parts, *Part 2A* and *Part 2B*. *Part 2* of the Form ADV 2 (the “Brochure”) provides information about a variety of topics relating to Ranger’s business practices and conflicts of interest. *Part 2B* of the Form ADV (the “Brochure Supplement”) provides information about certain Ranger advisory personnel.

This section of the Brochure addresses “material changes” that have taken place since the last annual update and will be posted on the SEC’s public disclosure website (IAPD). Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’s fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

The effective date of this Brochure is March 31, 2020, and updates the Brochure dated March 31, 2019. A summary of the material revisions made to the previous version of the Firm’s Brochure is as follows:

1. **Item 10 – Other Financial Industry Activities and Affiliates.** Description of the Firm’s affiliates was updated to include new affiliated registered investment advisors.

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## Item 4 – Advisory Business

Ranger Alternative Management, L.P. (“Ranger” or the “Firm”) was founded in 2008. The Firm is controlled by its General Partner, Ranger Alternative Management (GP), LLC (the “General Partner”). The General Partner is controlled by Ranger Capital Group Holdings, L.P., which serves as its managing member. As of December 31, 2019, Ranger managed approximately \$110,704,204 million of client assets all of which are managed on a discretionary basis.

The Firm currently serves as a sub-adviser to and provides investment advisory services on a discretionary basis to the Ranger Equity Bear ETF (ticker: HDGE) (the “Ranger ETF”). The Ranger ETF is a class of the AdvisorShares Trust, an investment company registered with the U.S. Securities and Exchange Commission in accordance with the Investment Company Act of 1940. While not applicable at this time, the Firm may provide investment advisory services to unregistered pooled investment vehicles and/or separately managed accounts on a future date.

Investment supervisory services include: (1) establishing a client’s investment objectives within a short-only equity investment strategy; (2) buying or selling portfolio securities on behalf of each client; and (3) periodically reporting to investors the current investment holdings, valuations, transactions, capital gains or losses, investment income and performance.

Ranger serves as a sub-adviser to and manages the day-to-day portfolio management activities of the Ranger Equity Bear ETF (ticker: HDGE). The investment objective of the portfolio the Firm manages seeks capital appreciation through short sales of U.S. exchange-traded equity securities of primarily mid- and large-capitalization public companies, exchange-traded funds (“ETFs”), exchange-traded notes (“ETNs”) and other exchange traded products (“ETPs”). The Firm’s portfolio management team implements a bottom-up, fundamental research-driven security selection process. In selecting short positions, the portfolio management team seeks to identify securities with low earnings quality or aggressive accounting practices which may be intended on the part of company management to mask operational deterioration and bolster the reported earnings per share over a short time period. In addition, the portfolio management team seeks to identify earnings driven events that may act as a catalyst to the price decline of a security, such as downwards earnings revisions or reduced forward guidance.

## Item 5 – Fees and Compensation

The Firm charges clients advisory fees or sub-advisory fees which are a fixed percentage of assets under management (“Management Fees”). However, the Firm reserves the right to negotiate Management Fees with clients which differ from the standard schedule, based on specific circumstances on a case by case basis, including without limitation, the relative size of a client account. Accordingly, Management Fees incurred by clients may vary substantially.

Additionally, although the Firm does not currently anticipate offering separate accounts, to the extent it does so in the future, all other terms of such investment, including terms relating to expenses and redemption terms, may also be negotiable on a case by case basis.

The Firm provides advisory services to the Ranger Equity Bear ETF pursuant to a subadvisory agreement with the Ranger Equity Bear ETF's Investment Advisor: AdvisorShares Investments, LLC. Investors in the Ranger Equity Bear ETF pay uniform management fees, at a rate determined by the Ranger Equity Bear ETF Board of Trustees, which currently stands at one and a half percent (1.5%) per annum. Currently, the Firm receives sub-advisory fees for sub-advisory services relating to the Ranger Equity Bear ETF equal to an annual rate of one percent (1.00%). To As such, the Management Fees charged by the Firm with respect to the Ranger Equity Bear ETF is currently less than the Management Fees incurred by an investor in the Ranger Equity Bear ETF. Management Fees are calculated and accrued daily and paid to the Firm by the Client on a monthly basis.

Management Fees received by the Firm are exclusive of brokerage commissions, transaction fees, and other related costs and expenses incurred by the Firm's clients and/or investors in pooled investment vehicles advised by the Firm ("Client Affiliates"). Clients and Client Affiliates may incur certain charges imposed by custodians, brokers and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and ETFs may also charge additional fees, which are disclosed in such fund's prospectus and SAI. Such charges, fees and commissions are exclusive of and in addition to the Firm's Management Fee or sub advisory fee, and the Firm will not receive any portion of these commissions, fees or costs.

#### Additional Information

For additional information with respect to the factors the Firm considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation, please see **Item 12 - Brokerage Practices**.

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

Although on a general basis the Firm does not charge performance fees, it may in limited situations and at a Client's request consider the application of performance fees as a full or partial alternative to Management Fees. Performance based fee arrangements may create an incentive for the Firm to invest in securities which may be riskier or more speculative than the securities it would invest in under a different fee arrangement. In addition, performance fee arrangements may create an incentive for the Firm to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Ranger employs procedures designed and implemented to ensure all clients are treated fairly and equally, and to prevent this potential conflict from influencing the allocation of investment opportunities among clients.

### **Item 7 – Types of Clients**

The Firm serves as sub-adviser to AdvisorShares Investments, LLC and manages the day-to-day portfolio activities of the Ranger Equity Bear ETF (HDGE). There is no minimum to invest in the Ranger Equity Bear ETF (HDGE).

Currently, Ranger Equity Bear ETF serves as the Firm's sole client. However, the Firm may provide portfolio management services for additional public funds, private funds and/or separately managed accounts as of any future date.

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

The investment objective of the Firm's portfolio includes capital appreciation through the short sales of U.S. exchange-traded equity securities of primarily mid- and large-capitalization public companies, exchange-traded funds ("ETFs"), exchange-traded notes ("ETNs") and other exchange traded products ("ETPs"). The Firm implements a bottom-up, fundamental research driven security selection process which seeks to identify securities with low earnings quality or aggressive accounting that may tend to mask operational deterioration and bolster the reported earnings per share over a short time period. In addition, the Firm seeks to identify earnings driven events that may act as a catalyst to the price decline of a security, such as downwards earnings revisions or reduced forward earnings outlook.

On a day-to-day basis, the portfolio may hold U.S. Government securities, short-term high quality fixed income securities, money market instruments, overnight and fixed-term repurchase agreements, cash and cash equivalents with maturities of one year or less for investment purposes and to cover its short positions.

Additional information regarding the Firm's investment strategy may be found in the prospectus and SAI, copies of which may be obtained on-line at, <https://advisorshares.com/etfs/hdge/#hdge>.

### **RISK FACTORS**

**INVESTMENT PRODUCTS OR SERVICES MANAGED BY THE FIRM INVOLVE RISK, INCLUDING THE POTENTIAL FOR LOSS OF ALL OR PART OF AN INVESTMENT. THEREFORE, AN INVESTMENT SHOULD BE UNDERTAKEN ONLY BY INVESTORS CAPABLE OF EVALUATING AND BEARING THE RISKS OF SUCH AN INVESTMENT. THERE CAN BE NO ASSURANCE THAT THE FIRM WILL BE ABLE TO AVOID LOSS, ACHIEVE ITS INVESTMENT OBJECTIVE OR RECEIVE A POSITIVE RETURN ON INVESTMENT CAPITAL. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THE FOLLOWING FACTORS IN CONNECTION WITH AN INVESTMENT. PLEASE NOTE THAT THE FOLLOWING LIST IS NOT A COMPLETE LIST OF ALL RISKS INVOLVED IN CONNECTION WITH AN INVESTMENT PRODUCT OR SERVICE MANAGED BY THE FIRM. WITH RESPECT TO THE RANGER EQUITY BEAR ETF, ADDITIONAL RISK DISCLOSURES MAY BE FOUND IN THE PROSPECTUS AND SAI OF THE RANGER EQUITY BEAR ETF.**

**REFERENCES AND DISCLOSURES RELATING TO THE RANGER EQUITY BEAR ETF, INCLUDING BUT NOT LIMITED TO: (I) THE INVESTMENT OBJECTIVE, STRATEGIES, RESTRICTIONS AND MANAGEMENT OF THE RANGER EQUITY BEAR ETF, (II) RISKS AND CONFLICTS OF INTEREST ASSOCIATED WITH AN INVESTMENT IN THE RANGER EQUITY BEAR ETF, (III) DESCRIPTIONS OF SECURITIES PERMISSIBLE FOR INVESTMENT BY THE RANGER EQUITY BEAR ETF, AND (IV) TERMS FOR**

INVESTMENT WITHIN A THE RANGER EQUITY BEAR ETF ARE QUALIFIED IN THEIR ENTIRETY BY AND SHOULD BE READ IN CONJUNCTION WITH THE RANGER EQUITY BEAR ETF'S OFFERING DOCUMENTS, INCLUDING WITHOUT LIMITATION, ANY PROSPECTUS AND STATEMENT OF ADDITIONAL INFORMATION APPLICABLE TO THE RANGER EQUITY BEAR ETF. PROSPECTIVE INVESTORS ARE STRONGLY ENCOURAGED TO REVIEW OFFERING DOCUMENTS CAREFULLY, AND CONSULT THEIR INDIVIDUAL FINANCIAL, LEGAL OR TAX ADVISORS PRIOR TO MAKING AN INVESTMENT. INFORMATION ABOUT WHAT OFFERING DOCUMENTS AND OPERATING AGREEMENTS ARE AVAILABLE FOR REVIEW BY A PROSPECTIVE INVESTOR, ALONG WITH APPLICABLE COPIES OF SUCH DOCUMENTS, IS AVAILABLE ON THE RANGER EQUITY BEAR ETF'S WEBSITE AT: [HTTPS://ADVISORSHARES.COM/ETFS/HDGE/#HDGE](https://advisorshares.com/etfs/hdge/#hdge)

### Short Sales Risk

Short sales are transactions in which the portfolio management team sells a security it does not own. To complete the transaction, the Firm must borrow the security to make delivery to the buyer. The Firm is then obligated to replace, or cover, the security borrowed by purchasing the security at the market price when the portfolio management team decides to remove all or a portion of the holding from the portfolio. At this time, the price may be higher or lower than the price at which the security was sold by the Firm. If the underlying security goes down in price between the time the portfolio management team sells the security and buys it back, the portfolio will realize a gain on the transaction. Conversely, if the underlying security goes up in price during the period, the portfolio will realize a loss on the transaction. Any such loss is increased by the amount of premium or interest the Firm must pay to the lender of the security. Likewise, any gain will be decreased by the amount of premium or interest the Firm must pay to the lender of the security. Because a short position loses value as the security's price increases, the loss on a short sale is theoretically unlimited. Short sales involve leverage because the Firm's portfolio borrows securities and then sells them, effectively leveraging its assets. The use of leverage may magnify gains or losses for the Firm's portfolio.

### Security Selection and Market Risk

Security Selection risk is defined as the risk that the Firm may not select and size positions appropriately within a portfolio. An associated market risk arises from the influence of the movements of the overall market, or the value of the individual securities in a portfolio. The profitability of a significant portion of the Firm's investment program depends to a great extent upon correctly assessing the future course of price movements and/or the general value of securities and other investments. There can be no assurance that the Firm will be able to accurately predict these price movements or future valuation; nor can assurance be given that the Firm's investment Portfolios will generate income or appreciate in value. With respect to the Firm's investment strategies, there is also a degree of market risk. For these reasons, the Portfolio may also incur losses.

### Potential Loss of Investment

There is a risk that an investment in a Ranger investment product, including the Ranger Equity Bear ETF, will be lost entirely or in part. An investment in any Ranger investment product, including the Ranger Equity Bear ETF, is not a complete investment program and should



represent only a small portion of an investor's portfolio management strategy. Each prospective investor must have enough knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of an investment in a potentially risky investment like the Ranger Equity Bear ETF, whose performance may be highly volatile. No guarantee or representation is made that the investment strategy of any Ranger investment product, including the Ranger Equity Bear ETF, will be successful, that the targeted return or risk will be achieved or maintained, or that the various investment strategies utilized or investments made through a Ranger investment product, including the Ranger Equity Bear ETF, will have low correlation with each other or with the markets generally.

#### Overall Investment Risk

All securities investments risk the loss of capital. The nature of the securities purchased and traded by the Firm and the investment techniques and strategies employed in order to increase returns may increase this risk. While the Firm will devote its best efforts to the management of investment portfolios, many unforeseeable events, including but not limited to actions by various government agencies, the Federal Reserve Board, and/or domestic and international political events, may cause sharp market fluctuations which may negatively impact the investment strategies managed by the Firm.

***The prior investment performance of an ETF (or other pooled investment vehicle), Separate Account, or composite may not be indicative of the future results.***

#### Portfolio Turnover

Investment products that the Firm advises, including the Ranger Equity Bear ETF, will not be restricted in effecting transactions by any specific limitations with regard to the Portfolio turnover rate. Market conditions or other unforeseen events may result in substantial Portfolio turnover, which may result in an increase in expense for the investors and/or enhanced volatility.

#### Equity Risk

The prices of equity securities, in which the Firm invests, include short positions which may rise and fall daily. These price movements may result from factors affecting individual companies, industries or the securities market as a whole.

#### Exchange-Traded Investments Risk

The Firm may invest a portion of the portfolio it manages in (or short) ETFs, ETNs and ETPs. While the risks of owning shares of an ETP, ETF, or ETN generally reflect the risks of owning the underlying securities the ETP, ETF, or ETN is designed to track, lack of liquidity in an ETP, ETF, or ETN can result in its value being more volatile than the underlying portfolio securities. In addition, certain of the ETPs, ETFs, or ETNs may hold common portfolio positions, thereby reducing any diversification benefits.

#### Fixed Income Risk



The portfolio the Firm manages may be exposed to fixed income risk through its short positions in ETFs and ETPs that primarily invest in fixed income securities. The value of an ETF's or ETP's portfolio of fixed income securities will change in response to interest rate changes and other factors, such as the perception of the issuers' creditworthiness. The portfolio managed by the Firm is subject to the risk that interest rates may fall causing the value of an ETF's or ETP's fixed income investments to rise and the value of the Firm's fixed income oriented investments to decline.

#### Issuer Risk

From time to time the Fund may have exposure via its short positions to a limited number of issuers. During such times, the Fund is more susceptible to the risk that an issuer's securities may appreciate in value.

#### Liquidity Risk

Trading in shares of the Ranger Equity Bear ETF may be halted because of market conditions or for reasons that, in the view of the New York Stock Exchange, make trading in shares inadvisable. In addition, trading in shares is subject to trading halts caused by extraordinary market volatility pursuant to "circuit breaker" rules. There can be no assurance that the requirements necessary to maintain the listing of the shares of the Fund will continue to be met or will remain unchanged.

#### Market Risk

Investments in securities, in general, are subject to market risks that may cause their prices to fluctuate over time. An investment in a portfolio or investment vehicle managed by the Firm may lose money.

#### Mid-Cap and Large-Cap Risk

The Firm's portfolios are subject to the risk that medium and large capitalization stocks may outperform other segments of the equity market or the equity market as a whole, thereby causing a short based portfolio in such holding to underperform.

#### Cybersecurity Risks

The Firm, its service providers, its counterparties and other market participants on whom the Firm relies increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect Clients, Funds and/or their investors, despite the efforts of the firm, its service providers, its counterparties and other market participants on whom the Firm relies to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Firm and/or its Clients investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of or prevent access to these systems of the Firm, its service providers, its counterparties and other market participants on whom the Firm relies or

data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of systems to disclose sensitive information in order to gain access to the Firm's data or that of its investors. A successful penetration or circumvention of the security of the Firm's systems or the systems of the Firm's service providers, counterparties or other market participants on whom the Firm relies could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the Clients, the Firm, their service providers, their counterparties and other market participants on whom the Firm relies to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. Similar types of operational and technology risks are also present for many portfolio companies, which could have material adverse consequences for such investments, and may cause the Clients' investments to lose value.

#### Legal, Regulatory and Political Uncertainties

The Firm and its affiliates are subject to a variety of governmental regulations in the United States and other jurisdictions that may result in additional compliance costs and other burdens and otherwise impact the performance of a Ranger Fund. It is difficult to predict what changes in regulations may be instituted in the future, in addition to those changes already proposed or adopted in the United States or other jurisdictions.

The legal, tax and regulatory environment for alternative investment funds, investment advisers, the instruments they utilize and the markets in which they trade are continuously evolving. In addition to legal, regulatory and tax changes, there may be other unanticipated changes, including political developments. Such uncertainty may be detrimental to the efficient functioning of the financial markets and the success of certain products and strategies. Any changes to current regulations or any new regulations could have a material adverse effect on a Ranger Fund (including by reducing the attractiveness of an applicable investment strategy, imposing material costs on a Ranger Fund, reducing investment opportunities, or requiring a significant restructuring of the manner in which a Ranger Fund, the Firm or its affiliates are organized or operated).

***As with any investment fund, there is no guarantee that an investment portfolio managed by the Firm will achieve its investment goal or be able to avoid loss.***

#### POTENTIAL CONFLICTS OF INTEREST

##### Other Client Accounts

Although not applicable at this time, the Firm may manage other client accounts on a future date, some of which may have objectives similar to those of the short-only portfolio Ranger sub-advises on behalf of the Ranger Equity Bear ETF (HDGE). These accounts may include pooled investment vehicles and separate accounts which may be managed by the Firm or an affiliate and in which the Firm or an affiliate may have an equity interest. In addition, the portfolio management team for the Firm may be employed by investment advisers unaffiliated with the Firm; and therefore advise portfolios which are not affiliated with the Firm.

### Other Firm Affiliations

Brad Lamensdorf, a portfolio manager for the Firm, also serves as a founder and portfolio manager for Active Alts, Inc. which manages the Active Alts Contrarian ETF (ticker: SQZZ). SQZZ seeks to achieve its investment objective by investing, directly or indirectly through other investment funds, in equity securities of domestic and foreign issuers traded on a U.S. exchange (including American Depositary Receipts) that Active Alts believes may be subject to a “short squeeze”.

The management of multiple investment vehicles may result in conflicts of interests when employees of the Firm allocate time and investment opportunities among the Affiliated Advisors and other clients. However, the Firm will generally follow internal procedures in allocating trades among such affiliated advisors and other clients. Additionally, potential conflicts of interest can occur because a transaction may result in benefits to one firm that may be a detriment to the other.

### Trade Allocation

Generally, the Firm believes that aggregation of orders for multiple clients is consistent with its duty to seek best execution for its clients. Aggregation of orders for all accounts often facilitates more efficient and less costly execution. In any case in which the Firm believes that aggregation is not consistent with its duty to seek best execution for its clients, it will not execute the transaction on an aggregated basis. It may not be feasible, however, for the Firm to aggregate orders for reasons including, but not limited to: the differences in timing of investment decisions and order placement, the nature and availability of a security, available cash balances, tax considerations, investment guidelines, directed brokerage arrangements and an intent to minimize the impact on price and execution capability when trading large volumes of security.

In certain circumstances, the Firm may determine to place orders for the same security with more than one broker-dealer in order to obtain best execution. For example, if any single market maker has an insufficient inventory to satisfy an aggregated purchase order, it may be necessary to use multiple market makers to complete the order.

The Firm recognizes that it must allocate securities among clients in a fair and equitable manner, depending on the facts and circumstances of each situation. In addition, the Firm will seek to allocate all aggregated orders to all accounts on an equitable basis. The Firm believes that the principles set forth herein are fair and equitable, but may not be so in every instance. In all instances, however, the Firm will seek to determine and effect the allocation beforehand or promptly after the transaction.

Generally, orders are allocated *pro rata* to all accounts with similar or overlapping investment strategies. The Firm does not invest in initial public offerings.

### Personal Trading

Personal trading by employees of the Firm may create potential conflicts of interest with respect to the portfolios the Firm manages on behalf of its investors. Primarily, personal trading by employees of the Firm, without the implementation of proper policies and procedures, may create the risk that such personal trading “front runs” Client trading and thereby either reduces available liquidity and/or alters the trading price of a security to a Client’s detriment. In addition, personal trading by employees may increase the risk of abuse of material, nonpublic information,

The Firm’s policies and procedures seek to ensure that personal securities trading by employees of the Firm are conducted in such a manner as to avoid any abuse of an individual’s position of trust and responsibility and to ensure adherence to the Firm’s fiduciary duty. The Firm requires that employees seek prior approval and pre-clearance from a member of the compliance department prior entering into any personal trading transaction, in order for the Firm’s compliance department to supervise such trading activity and mitigate the potential conflict of interest associated with personal trading.

In addition, the Firm has procedures to prevent the abuse of material, non-public information, which includes procedures for, among other things, the use and maintenance of restricted trading lists. For additional information with respect to the policies and procedures the firm has implemented to mitigate conflicts associated with personal trading, please see **Item 11 – Code of Ethics** or by contacting the Firm at (214) 871-5200.

#### Soft Dollar Credits

The Firm seeks to employ a soft dollar policy that falls within the safe harbor established by Section 28(e)(3) of the Securities Exchange Act of 1934 (“1934 Act”). The Firm’s use of “soft dollar” credits generated to pay for research and brokerage services might otherwise have been borne by the Firm. Accordingly, the use of “soft dollar” credits may give the Firm an incentive to select brokers or dealers for the securities transactions, or to negotiate commission rates or other execution terms, in a manner that takes into account the soft dollar benefits received by the Firm rather than giving exclusive consideration to the interests of investors. For additional information with respect to the Firm’s use of soft dollars, please see **Item 12 – Brokerage Practices**.

*Investing in securities involves risk of loss that clients should be prepared to bear.*

### **Item 9 – Disciplinary Information**

This section requires registered investment advisers and management personnel to disclose all material facts regarding any legal or disciplinary events that would be material to an investors’ evaluation of the Firm or the integrity of its management. The Firm and management personnel have no legal or disciplinary events to disclose.

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

Ranger Alternative Management, L.P. is affiliated with six investment advisers by virtue of common control and ownership by Ranger Capital Group Holdings, L.P. (“RCGH”). The Firm and each of its investment advisory affiliates (“Affiliated Advisors”) mentioned below maintain

independent investment teams and processes; and focus on differing investment strategies. Ranger Shared Services, LLC, a wholly owned subsidiary of RCGH, provides operations, marketing and investor relations support to Ranger and its affiliates.

- RG Liquid Alts, LP manages global market neutral equity portfolios.
- Ranger Investment Management, L.P. manages long-only investment portfolios of U.S. exchange traded equity securities of growth oriented companies.
- Ranger International Management, LP manages long-only investment portfolios which consist of (i) global income and growth, and (ii) international equity portfolios.
- Ranger Alternative Management II, LP manages investment portfolios of credit instruments originated by direct lending sources.
- Ranger Advisors, L.P. manages fund-of-funds investment portfolios which primarily invest in Ranger affiliated strategies.
- Meros Investment Management, LP manages investment portfolios which consist of U.S. exchange traded equity securities of primarily micro capitalization companies.

All RCGH affiliated investment advisers are registered with the U.S. Securities and Exchange Commission (the “SEC”) in accordance with the Investment Advisers Act of 1940. Registration as an investment adviser does not imply any level of skill or training. Additional information with respect to RCGH affiliated investment advisers may be obtained on-line at [www.rangercapital.com](http://www.rangercapital.com).

In addition to the Affiliated Advisors referenced above, the Firm is affiliated with Active Alts, Inc. which manages the Active Alts Contrarian ETF (ticker: SQZZ) pursuant to common ownership between the Firm and Active Alts by Brad Lamensdorf. SQZZ seeks to achieve its investment objective by investing, directly or indirectly in securities that Active Alts believes may be subject to a “short squeeze”.

## **Item 11 – Code of Ethics, Participation/Interest in Client Transactions and Personal Trading**

As a fiduciary, the Firm has an affirmative duty to act in the best interests of its investors and to make full and fair disclosure of all material facts, particularly where the Firm’s interests may conflict with those of its investors. The Firm’s Code of Conduct and Code of Ethics (the “Codes”) serve as behavior benchmarks from which the Firm establishes its compliance program. Briefly, the Codes require each Ranger employee to act with integrity, competence, diligence, respect, and in an ethical manner when dealing with current and prospective clients, the Firm, other employees, colleagues in the investment profession, and other participants in the global capital markets. Ranger expects employees to place the interests of clients and the Firm above their own personal interest and to avoid any actual or potential conflicts of interest. *Among other things, the Firm’s Code of Ethics requires that all employees to comply with applicable provisions of the federal securities laws and to promptly report any violations or*

*potential violations of the Firm's compliance policies and procedures to the Chief Compliance Officer (the "CCO").*

#### Personal Trading Policy

The Code is designed to mitigate the possibility that the personal securities transactions, activities and interests of employees of the Firm will conflict with the best interest of the Firm's Clients. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of Clients. The Code requires that employees must receive pre-clearance for the purchase or sale of non-exempt securities from a member of the Compliance Team and restricts trading in close proximity to client trading activity to mitigate the possibility of front running Client accounts.

Nonetheless, because the Code permits employees to sell the same securities as may be held in client portfolios the Firm advises, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. In addition to preclearance procedures, employee trading is continually monitored under the Code by a member of the Compliance Team, and to reasonably prevent conflicts of interest between the Firm and its clients.

In addition to personal trading activities, other policies and procedures found in the Code provide guidelines the Firm and/or employees follow with respect to:

- Insider Trading
- Outside Business Activities
- Political Contributions
- Gifts and Entertainment

A copy of the Firm's Code of Ethics is available to current or prospective clients upon written request [info@rangeralternatives.com](mailto:info@rangeralternatives.com).

### **Item 12 – Brokerage Practices**

Generally, the Firm has complete discretion over the selection and amount of securities to be bought or sold for investor accounts without obtaining their consent or approval (within the parameters established by the investment management agreement or private placement memorandum).

#### Broker Selection and Transactions

The Firm selects brokers for its direct securities transactions based on a number of factors, including, but not limited to, the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of the order and difficulty of execution; the financial strength, integrity and stability of the broker; the broker's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services and other services considered by the Firm to be of value; and the



competitiveness of commission rates in comparison with other brokers satisfying the Firm's other selection criteria.

With respect to research and brokerage products or services provided by broker-dealers, the Firm seeks to maintain a soft dollar policy that falls within the safe harbor established by Section 28(e) of the Securities Exchange Act of 1934 ("1934 Act"). Research services, as that term is used in Section 28(e)(3), may include both services generated internally by a broker's own research staff and services obtained by the broker from a third party research firm. The research services may include a broad variety of financial and related information and services, including written or oral research and information relating to the economy, industries or industry segments, a specific company or group of companies, software or written financial data, electronic or other quotations or market information systems, financial or economic programs or seminars, or other similar services or information the Firm believes assists its advisory functions and services.

Among other things, the Firm considers research provided to it when considering through which brokerage firm it should execute transactions. Generally, the Firm will attempt to place portfolio transactions with broker-dealers who, in its opinion, provide the best combination of price and execution (including brokerage commissions). However, the Firm may pay a broker-dealer a commission for effecting a transaction in excess of the amount of commission another broker or dealer would have charged as long as the Firm makes a good faith determination that the amount of commission is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer.

The amount of brokerage specifically allocated to any broker will be based, in part, on the cost of research and brokerage products or services to the broker, and the amount allocated is generally higher than that which the Firm would pay for the research if it paid for it in cash using its own funds. Clients should consider that there is a potential conflict of interest between their interests in obtaining best execution and the Firm's receipt of and payment for research through brokerage allocations as described above.

The soft dollar research obtained by the Firm may benefit many accounts rather than just the one(s) for which the order is being executed, and not all research may be used by the Firm in connection with the account(s) which paid commissions to the broker providing the research. In this situation, the securities research may benefit only a select group of the Firm's clients that is different from the group whose commissions generated the soft dollar credits.

#### Best Execution Reviews

On at least a quarterly basis, the Firm holds a best execution review meeting to determine the value each broker-dealer brought to the firm over the previous three (3) month period. In attendance at the meeting are the Firm's trader and CCO. At the meeting, the participants address issues such as, but not limited to, execution quality, research quality, broker responsiveness, and access to analysts and company management. The meeting participants generally discuss issues with respect to the trading activities, material exceptions and allocations to broker-dealers on the approved list. Following the review, the CCO documents the results of the best execution review.



Periodically and also as part of the best execution review, the trader and the CCO may discuss general soft dollar activities and possible changes, if any, to the list of all soft dollar services. Examples of soft dollar issues that may be discussed during the best execution review include:

- Changes to the current level of service
- Prospective products and services being considered
- Services that are not being fully utilized, are obsolete, or redundant and should be eliminated
- Whether the soft-dollar budget targeted for the current quarter or year are in line with the budgeted amounts
- Mixed-use allocation determinations

The CCO documents and maintains the information discussed during the best execution review.

#### Order Aggregation

The Firm currently only advises one investment account. However, to the extent that Firm advises more than one client account, it will aggregate trades for the same security in the same strategy and allocate all client orders on a *pro rata* basis; and manage accounts with similar investment guidelines on a *pari passu basis*.

#### Directed Brokerage

An investor may instruct the Firm to effect securities transactions from the investor's account through a specific broker-dealer. The Firm considers such instruction to be a "directed brokerage arrangement." In such circumstances, the investor is responsible for negotiating the terms and arrangements for their account with that broker-dealer. The Firm will not seek better execution services or prices from other broker-dealers and may not be able to aggregate the investor's transactions for execution through other broker-dealers with orders for other accounts advised or managed by the Firm. As a result, the Firm may place a directed trade following aggregated trading activity for a particular security. In addition, the Firm may not obtain best execution on behalf of the investor, who may pay materially disparate commissions, greater spreads or other transaction costs, or receive less favorable net prices on transactions for the account than would otherwise be the case.

In order to accommodate certain directed brokerage arrangements, the broker dealer to whom the trades are directed may not meet the Firm's standards with respect to institutional quality execution capabilities. In such cases, the Firm may, at its discretion, resort to "step out" trades in order to meet the directed brokerage objectives while continuing to maintain the Firm's best execution objectives. For example, the Firm places an aggregated trade for a particular security with an institutionally oriented broker dealer which includes instructions to "step out" the portion of the commission to the broker dealer designated in the directed brokerage arrangement. Essentially, the broker dealer the Firm selected executes the trade and sends a check for the portion of the commission amount specified in the instructions to the broker dealer designated in the directed brokerage arrangement.

#### Soft Dollar Reviews

In addition to initial reviews, the Firm conducts periodic evaluation of its soft dollar products and services to, (1) ensure the products and services continue to provide the value to the investment manager which was originally established upon initial evaluation; and, (2) prepare an annual soft dollar program which it believes is in the best interest of the Firm's Clients. The CCO periodically reviews the soft dollar products and services to ensure adherence with Section 28(e) requirements.

Each month, a member of the accounting and operations department reviews and verifies all invoices for soft dollar products and services and then forwards them to the Portfolio Manager(s) for verification as necessary. The invoices are time stamped and dated, and then forwarded to the soft dollar broker for payment. The soft dollar broker submits a monthly summary of all payments made for research, as well as a detailed listing of commissions generated with the executing soft dollar brokers. The soft dollar broker resolves any discrepancies, and any unresolved disputes will be promptly brought to the attention of the CCO and Chief Financial Officer (the "CFO").

#### Mixed-Use Soft Dollar Products and Services

In some instances, brokerage and research products or services received by the Firm may also be used by the Firm for functions that are not entirely brokerage or research related (i.e. not related to the investment decision-making process). Where a research product or service has a mixed-use, the Firm will make a reasonable allocation according to its use and will pay for the non-research or non-brokerage portion in cash (hard dollars) using its own funds. The Firm generally bases its mixed-use allocation decisions on a reasonable combination of factors such as, but not limited to:

- the percentage of time the Firm devotes to the use of the product for research or brokerage in relation to non-research or non-brokerage applications;
- the relative value of the product for each use as the CCO determines to be reasonable and appropriate; and,
- the availability and value of comparable products and services.

Ranger's CCO supervises the evaluation of all mixed-use soft dollar items upon initial receipt of the product or service, and then again on a periodic or as necessary basis. Evaluation results, along with guidance from the CFO, will assist the CCO in the establishment of a final mixed-use allocation decision.

### **Item 13 – Review of Accounts**

Each account is reviewed and valued on a daily basis or more frequently if triggered by market or economic conditions. At this time, there is one account requiring review. Portfolio Managers review each account in a manner consistent with the investment goals of such account. Under the supervision of the CFO, members of the Firm's accounting and operations staffs will review the accounts' valuation, including net asset value calculations, securities positions and pricing information, interest accrual calculations, and cash balance reports generated by the Firm's accounting system, custodian, prime broker and brokerage firms.

Currently, the Firm's sole client is the investment adviser to Ranger Equity Bear ETF (HDGE), and its sole portfolio is that of such ETF. As such, the Firm's client receives a written report of the portfolio's holdings on a daily basis. The Firm's operations staff, supervised by the COO/CFO, reviews the accounts' valuation, including net asset value calculations, securities positions and pricing information, interest accrual calculations, and cash balance reports generated by the Firm's accounting system, custodian, prime broker and/or brokerage firms.

#### **Item 14 – Client Referrals and Other Compensation**

The Firm may enter into agreements with an affiliated or unaffiliated marketing group or individuals that will market and/or solicit investors for the Ranger Equity Bear ETF (HDGE) or other Ranger accounts. For their solicitation services, such marketing groups or individuals may receive a percentage of the Firm's Management Fee.

The Firm's arrangements with an affiliated or unaffiliated marketing groups or individuals may result in a potential conflict of interest by creating an incentive for the marketing group to recommend Ranger investment advisory products and services based on compensation received rather than the investor's needs. The Firm has implemented procedures to ensure compensation arrangements with an affiliated or unaffiliated third-party for client or investor referrals will comply with Rule 206(4)-3 under the Adviser's Act.

#### **Item 15 – Custody**

At this time, the Firm does not take direct or indirect possession of investor funds or securities. As such, the Firm does not have custody of client assets.

#### **Item 16 – Investment Discretion**

Subject to the general oversight of any investment adviser to which it provides sub-advisory services, the Firm has complete discretion over the selection and amount of securities to be bought or sold for investor accounts without obtaining their consent or approval (within the parameters established by the prospectus, investment management agreement or private placement memorandum). Discretionary authority over client portfolios will only be undertaken pursuant to specific instructions set forth in a prospectus, investment management agreement or sub-advisory agreement. Discretionary trades Ranger executes on behalf of its accounts will be in accordance with that client's investment objectives and goals.

#### **Item 17 – Voting Client Securities**

Generally, the Firm invests, on a short basis only, in U.S. exchange traded equity securities and does not have the right to vote proxies for securities of the accounts it advises.

#### **Item 18 – Financial Information**

Ranger has no known financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients. In addition, the Firm has never been the subject of a bankruptcy petition.