

## **Part 2A of Form ADV**

### **Firm Brochure**

**April 14, 2020**

#### **TCG Investment Management LP**

**452 Fifth Avenue, 30th Floor  
New York, New York 10018  
Tel: (646) 346-8871**

This brochure provides information about the qualifications and business practices of TCG Investment Management LP (the “Adviser”). If you have any questions about the contents of this brochure, please contact us at (646) 783-6833 or [cklein@trianglecap.com](mailto:cklein@trianglecap.com). This information has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

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

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

**Item 2. Material Changes**

This is the initial filing of the Form ADV Part 2A for the Adviser, and as such, there are no material changes to report.

**Item 3. Table of Contents**

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

The Adviser is an investment adviser with its principal place of business in New York, New York. The general partner of the Adviser is TCG Investment Management GP LLC. Morris Doueck and Michael Pinewski are the managing members of the general partner of the Adviser. The Adviser expects to commence operations as an investment adviser in June of 2020. As a result, certain responses contained herein are based on the Adviser's expectations with respect to its investment advisory business.

The Adviser expects to provide discretionary advisory services to separately managed accounts for sophisticated individuals and institutions ("Clients").

The Adviser provides advice to Clients based on specific investment objectives and strategies. The Adviser may agree to tailor advisory services to the individual needs of Clients.

The Adviser does not currently manage any Client assets. In accordance with Rule 203A-2 of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), the Adviser anticipates that it will amend this brochure within 120 days of registration to indicate that it has met the asset eligibility requirements for registration with the SEC.

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

The Adviser will be paid an asset-based investment management fee based on the net assets of the respective Client account. The Adviser may also be paid performance-based compensation, which is compensation that is based on a share of capital gains on or capital appreciation of the assets of a Client account. The investment management fee and performance-based compensation rates that may be charged to a Client are set forth in the Adviser's investment management agreement ("Investment Management Agreement") with the Client. These fees are negotiable.

The Adviser will deduct the investment management fee and performance-based compensation from Client accounts by instructing the Client's custodian.

In addition to paying the investment management fees and performance-based compensation described in the Investment Management Agreement, Clients will also be subject to other investment expenses in accordance with the Client's Investment Management Agreement, which may include expenses such as custodial charges, brokerage fees, commissions and related costs; interest expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; other portfolio expenses; and costs, expenses and fees (including, investment advisory and other fees charged by investment advisers with, or funds in, which the Client's account invests) associated with products or services that may be necessary or incidental to such investments or accounts.

The allocation of expenses by the Adviser between it and a Client and among Clients represents a conflict of interest for the Adviser. The Adviser will adopt an expense allocation policy that is designed to address this conflict. The Adviser will allocate expenses to each Client in accordance with the Client's Investment Management Agreement. The Adviser will seek to allocate any shared expenses for products and services benefitting multiple Clients or both the Adviser and a

Client, and not covered in the Client's Investment Management Agreement, in a fair and reasonable manner.

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

The Adviser and its investment personnel expects to provide investment management services to multiple Clients. The Adviser (or an affiliate of the Adviser) will be entitled to be paid performance-based compensation by certain Client accounts. Such performance-based compensation may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements. In addition, certain Client accounts may have higher asset-based fees or more favorable performance-based compensation arrangements than other Client accounts or have asset-based fees or performance-based compensation arrangements providing for payment to the Adviser at different times or over different time intervals. When the Adviser and its investment personnel manage more than one Client account a potential exists for one Client account to be favored over another Client account. The Adviser and its investment personnel will have a greater incentive to favor Client accounts that pay the Adviser (and indirectly its investment personnel) higher fees, performance-based compensation, or compensation that is paid at different times or over different time intervals.

The Adviser expects to manage multiple Client accounts. Accordingly, the Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with different fee arrangements, and the allocation of investment opportunities. The Adviser will review investment decisions for the purpose of ensuring that all accounts with the same or substantially similar investment objectives, strategies and restrictions are treated equitably. The performance of accounts with the same or substantially similar investment objectives, strategies and restrictions will be reviewed to determine whether there are any unexplained significant discrepancies. In addition, the Adviser's procedures relating to the allocation of investment opportunities require that eligible Client accounts with the same or substantially similar investment objectives, strategies and restrictions participate in investment opportunities pro rata based on the relative value of the assets of each participating account to all participating accounts; provided, however that the Adviser may allocate investment opportunities to such accounts on a non-pro rata basis due to a consideration of factors including but not limited to timing of cash inflows/outflows, ability to participate in new issues, etc. To the extent orders are aggregated, the Client orders are price-averaged and allocated in accordance with the aggregated order; provided, that the aggregated order may be allocated on a different basis for reasons including but not limited to partially filled orders and to avoid odd lots or excessively small allocations. Finally, the Adviser's procedures also require the objective allocation for limited opportunities (such as initial public offerings and private placements) to ensure fair allocation among accounts. These areas are monitored by the Adviser's Chief Compliance Officer.

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

Currently, the Adviser has no Clients. However, the Adviser anticipates that its Clients will consist of sophisticated individuals and institutions. Any minimum investment amount with respect to a Client account is disclosed in the Client's Investment Management Agreement.

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

### **A. Methods of Analysis and Investment Strategies.**

#### **Investment Objective and Strategy**

The Adviser's investment objective and strategy on behalf of Clients will be to find opportunities in the commercial real estate space by investing in such instruments as: commercial mortgage-backed securities (CMBS), collateralized loan obligations (CLO's), rake bonds, mortgage loans, mezzanine loans, corporate debt, REIT securities, and the like.

The Adviser utilizes a variety of methods and strategies to make investment decisions and recommendations. The methods of analysis include fundamental research as well as use of quantitative tools and investment approaches.

The Adviser employs the following investment strategies:

**Buy and Hold.** The Adviser engages in a buy and hold investment strategy wherein the Adviser buys securities and holds them for a relatively longer period of time, regardless of short-term factors such as fluctuations in the market or volatility of the stock price.

**Credit.** The Adviser engages in a long and/or short credit strategy. Client accounts generally invest in credit-related assets across all levels of the capital structure, including, investments in distressed debt securities and other financial instruments, high yield and investment grade loans and bonds, structured credit and special situations.

**Fundamental Value.** The Adviser engages in a fundamental value investment strategy wherein the Adviser attempts to invest in asset-oriented securities the Adviser believes are undervalued by the market.

**Hedging.** The Adviser utilizes a variety of financial instruments such as derivatives, options, interest rate swaps, caps and floors, futures and forward contracts for profit and/or risk management purposes.

**Leverage.** The Adviser's investment program may utilize leverage which includes the borrowing of funds from brokerage firms, banks and other institutions in order to be able to increase the amount of capital available for marketable securities investments.

**Relative Value.** The Adviser pursues relative value strategies by taking long positions in securities believed to be undervalued and short positions in securities believed to be overvalued.

These methods, strategies and investments involve risk of loss to Clients and Clients must be prepared to bear the loss of their entire investment.

## **B. Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategies**

The following summary identifies the material risks related to the Adviser's significant investment strategies and should be carefully evaluated before making an investment with the Adviser; however, the following does not intend to identify all possible risks of an investment with the Adviser or provide a full description of the identified risks.

**Hedging.** There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while the Adviser may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Adviser's investment portfolios than if the Adviser did not engage in any such hedging transactions.

**Lack of Diversification.** Client accounts will not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, Client portfolios are subject to more rapid change in value than would be the case if the Adviser were required to maintain a wider diversification among types of securities and other instruments, geographic areas or sectors.

**Leverage.** Performance may be more volatile if a Client's account employs leverage.

## **C. Risks Associated With Types of Securities that are Primarily Recommended (Including Significant, or Unusual Risks).**

**Asset-Backed Securities.** Asset-backed securities are subject to interest rate risk and, to a lesser degree, prepayment risk. Asset-backed securities are subject to additional risks in that, unlike mortgage-backed securities, asset-backed securities generally do not have the benefit of a security interest in the related collateral. Each type of asset-backed security also entails unique risks depending on the type of assets involved and the legal structure used. In addition, asset-backed securities are subject to credit risk. There is also the possibility that recoveries on repossessed collateral may not be available to support payments on these securities because of the inability to perfect a security interest in such collateral.

**Derivatives.** Swaps, and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments require a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying the derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the Client or the Adviser. Further, transactions in derivative instruments may not be undertaken on recognized exchanges, and will expose the Client's account to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.

**Distressed Securities.** Investments in unrated or low grade debt securities of distressed companies are subject to greater risk of loss of principal and interest than higher-rated debt securities.

Distressed securities include those of a company currently in, or expected to be subject to, bankruptcy, restructuring, an operational turn-around or other similar events. There is substantial uncertainty concerning the outcome of transactions involving such issuers.

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

**Hard Assets.** The production and marketing of hard assets may be affected by actions and changes in governments. In addition, hard assets and hard asset securities may be cyclical in nature. During periods of economic or financial instability, hard asset securities may be subject to broad price fluctuations, reflecting volatility of energy and basic materials prices and possible instability of supply of various hard assets. In addition, hard asset companies may also be subject to the risks associated with extraction of natural resources as well as the risks of the hazards associated with natural resources, such as fire, drought, and increased regulatory and environmental costs. Hard asset securities may also experience greater price fluctuations than the relevant hard asset.

**Illiquid Instruments.** Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and the Adviser's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. In some cases, the relevant portfolio may be contractually prohibited from disposing of certain securities for a specified period of time. Reduced liquidity in the secondary market for certain securities may also make it more difficult for the Adviser to obtain market quotations based on actual trades for the purpose of valuing a fund's portfolio.

**Mortgage-Backed Securities.** Mortgage-backed securities are subject to credit risk associated with the performance of the underlying mortgage properties. Factors such as consumer spending habits, local economic and competitive conditions, tenant occupancy rates and regulatory or zoning restrictions, or the loss of a major tenant may adversely affect the economic viability of a mortgaged property. In addition, these securities are subject to prepayment risk and interest rate



risk. Some securities have a structure that makes their reaction to interest rates and other factors difficult to predict, making their value highly volatile.

**REITs.** REITs in which the Adviser invests Client accounts are affected by underlying real estate values, which may have an exaggerated effect to the extent that REITs in which the Adviser invests concentrate investments in particular geographic regions or property types. Investments in REITs are also subject to the risk of interest rate volatility. Further, rising interest rates will cause investors in REITs to demand a higher annual yield from future distributions, which will in turn decrease market prices for equity securities issued by REITs. REITs are subject to risks inherent in operating and financing a limited number of projects because they are dependent upon specialized management skills, and have limited diversification. REITs depend generally on their ability to generate cash flow to make distributions to investors.

**LIBOR Affected Instruments.** The Adviser invests in debt securities, derivatives and other financial instruments, and employs investment strategies, that utilize the London Interbank Offered Rate (“LIBOR”) as a “benchmark” or “reference rate” for various interest rate calculations. The United Kingdom Financial Conduct Authority, which regulates LIBOR, has announced a desire to phase out the use of LIBOR by the end of 2021. The elimination of LIBOR or changes to other reference rates or any other changes or reforms to the determination or supervision of reference rates could have an adverse impact on the market for, or value of, any securities or payments linked to those reference rates, which may have an adverse impact on the value of Client accounts. Uncertainty and risk also remain regarding the willingness and ability of issuers and lenders to include revised provisions in new and existing contracts or instruments. Consequently, the transition away from LIBOR to other reference rates may lead to increased volatility and illiquidity in markets that are tied to LIBOR, fluctuations in values of LIBOR-related investments or investments in issuers that utilize LIBOR, increased difficulty in borrowing or refinancing and diminished effectiveness of hedging strategies, adversely impacting the performance of Client accounts.

### **Additional Risks Relating to the Adviser**

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

**Risk Management Failures.** Although the Adviser attempts to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Moreover, many risk management techniques, including those

employed by the Adviser, are based on historical market behavior, but future market behavior may be entirely different and, accordingly, the risk management techniques employed on behalf of Clients may be incomplete or altogether ineffective. Similarly, the Adviser may be ineffective in implementing or applying risk management techniques. Any inadequacy or failure in risk management efforts could result in material losses to Clients.

**Systems and Operational Risk.** The Adviser relies on certain financial, accounting, data processing and other operational systems and services that are employed by the Adviser and/or by third party service providers, including prime brokers, the third party administrator, market counterparties and others. Many of these systems and services require manual input and are susceptible to error. These programs or systems may be subject to certain defects, failures or interruptions. For example, the Adviser and its Clients could be exposed to errors made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or related to other similar disruptions in the Clients' operations. In addition, despite certain measures established by the Adviser and third party service providers to safeguard information in these systems, the Adviser, Clients and their third party service providers are subject to risks associated with a breach in cybersecurity which may result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. Any such errors and/or disruptions may lead to financial losses, the disruption of the Client trading activities, liability under applicable law, regulatory intervention or reputational damage.

**Effects of Health Crises and Other Catastrophic Events.** Health crises, such as pandemic and epidemic diseases, as well as other catastrophes that interrupt the expected course of events, such as natural disasters, war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, and the public response to or fear of such diseases or events, have and may in the future have an adverse effect on Client's investments and the Adviser's operations. For example, any preventative or protective actions that governments may take in respect of such diseases or events may result in periods of business disruption, inability to obtain raw materials, supplies and component parts, and reduced or disrupted operations for Client portfolio companies. In addition, under such circumstances the operations, including functions such as trading and valuation, of the Adviser and other service providers could be reduced, delayed, suspended or otherwise disrupted. Further, the occurrence and pendency of such diseases or events could adversely affect the economies and financial markets either in specific countries or worldwide.

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

This Item is not applicable.

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

This Item is not applicable.

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

**A. Code of Ethics.** The Adviser has adopted a Code of Ethics (the “Code”) that obligates the Adviser to put the interests of the Adviser’s Clients before its own interests and to act honestly and fairly in all respects in their dealings with Clients. In addition to compliance with the Adviser’s policies and procedures, all of the Adviser’s personnel are required to comply with applicable federal securities laws. Clients or prospective Clients may obtain a copy of the Code by contacting the Adviser’s Chief Compliance Officer by email at [cklein@trianglecap.com](mailto:cklein@trianglecap.com), or by telephone at (646) 783-6833.

The Adviser, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of Clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a Client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to its Clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the Client or using such information for the Client’s benefit. In such circumstances, the Adviser will have no responsibility or liability to the Client for not disclosing such information to the Client (or the fact that the Adviser possesses such information), or not using such information for the Client’s benefit, as a result of following the Adviser’s policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

In addition, the Adviser or its supervised person invests in the same securities (or related securities, e.g., warrants, options or futures) that the Adviser or a supervised person recommends to Clients. The Adviser or its supervised person may trade in a particular security in a manner that is the same as, different from, or even opposite to the trading activity undertaken by the Adviser on behalf of its Clients with respect to that same security. Such practices present a conflict when, because of the information an Adviser has, the Adviser or its supervised person are in a position to trade in a manner that could adversely affect the Adviser’s Clients (e.g., place their own trades before or after Client trades are executed in order to benefit from any price movements due to the Clients’ trades). In addition to affecting the Adviser’s or its supervised person’s objectivity, these practices by the Adviser or its supervised person may also harm Clients by adversely affecting the price at which the Clients’ trades are executed. The Adviser has adopted the following procedures in an effort to minimize such conflicts. The Adviser requires its supervised person to preclear all transactions, including transactions in certain limited offerings and initial public offerings, in their personal accounts with the Chief Compliance Officer, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its Clients. In addition, the Adviser’s Code prohibits the Adviser or its supervised person from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer. All of the Adviser’s supervised person are required to disclose their securities transactions on a quarterly basis. In addition, the Adviser’s supervised

person are required to disclose the holdings in their personal accounts upon commencement of employment with the Adviser and on an annual basis thereafter. The Adviser's supervised person are also required to provide monthly or quarterly personal account brokerage statements. Trading in the personal accounts of the Adviser's supervised person is reviewed by the Chief Compliance Officer.

With respect to proxy voting, to the extent that the Adviser or a related person or any personnel of the Adviser own securities that the Adviser or its related persons also recommends to Clients, such Clients' proxies will be voted according to predetermined guidelines rather than subject to the Adviser's (or its related person's) discretion. Please refer to Item 17 for further information regarding the Adviser's proxy voting policy and procedures.

In order to seek to avoid the conflicts stemming from situations where the Adviser or a related person buys or sells securities for Client accounts at or about the same time that the Adviser or a related person buys or sells the same security for its own account, the Adviser has adopted the restrictions on personal trading described above. In addition, the Adviser has adopted the aggregation policies and procedures discussed in Item 12.

## **Item 12. Brokerage Practices**

**A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.** The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include, but are not limited to stability, the actual executed price and the commission, research (including but not limited to economic forecasts, fundamental and technical advice on securities, valuation advice on market analysis); custodial and other services provided for the enhancement of the Adviser's portfolio management capabilities; the size and type of the transaction; the difficulty of execution and the ability to handle difficult trades; and the operational facilities of the brokers and/or dealers involved (including back office efficiency). In selecting a broker-dealer to execute transactions (or a series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a Client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. The Adviser's Head Trader and Chief Investment Officer will meet periodically to evaluate the broker-dealers used by the Adviser to execute Client trades using the foregoing factors.

**1. Research and Other Soft Dollar Benefits.** The Adviser receives research or other products or services other than execution from a broker-dealer and/or a third party in connection with Client securities transactions. This is known as a "soft dollar" relationship. The Adviser will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended ("Section 28(e)").

Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing

analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

When the Adviser uses Client commissions to obtain Section 28(e) eligible research and brokerage products and services, the Adviser will periodically review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or the Adviser's overall responsibilities to the accounts or portfolios over which the Adviser exercises investment discretion.

The use of Client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

The Adviser may cause Clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits, resulting in higher transaction costs for Clients.

Research and brokerage services obtained by the use of commissions arising from a Client's portfolio transactions may be used by the Adviser in its other investment activities, including, for the benefit of other Client accounts. The Adviser does not seek to allocate soft dollar benefits to Client accounts proportionately to the soft dollar credits the accounts generate.

In some instances, the Adviser may obtain a product or service that is used, in part, by the Adviser for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, the Adviser will make a good faith effort to determine the relative proportion of the product or service used to assist the Adviser in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). Such determination will be made based on the actual use of the product or service by the Adviser's personnel. The proportion of the product or service attributable to assisting the Adviser in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by Client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by the Adviser from its own resources.

**2. Brokerage for Client Referrals.** In selecting or recommending broker-dealers, the Adviser may consider whether the Adviser or a related person receives Client referrals from a broker-dealer or third party. The Adviser may have an incentive to select or recommend a broker-dealer based on its interests to receive Client referrals rather than on the Client's interests to receive most favorable execution. To address this conflict of interest, the Adviser will execute Client trades through broker-dealers that refer Clients to the Adviser only if it is determined by the Chief Compliance Officer of the Adviser that Client trades with such broker-dealers are otherwise consistent with seeking best execution.

The Adviser anticipates purchasing or selling the same security for more than one Client at or near the same time and using the same executing broker. It is the Adviser's practice, where appropriate, to aggregate Client orders for the purchase or sale of the same security submitted at or near the same time for execution using the same executing broker. Such aggregation may enable the Adviser to obtain for Clients a more favorable price or a better commission rate based upon the volume of a particular transaction.

When an aggregated order is completely filled, the Adviser will allocate the securities purchased or proceeds of sale pro rata among the participating accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. To the extent an order is price-averaged, a Client account participating in the trade may pay a higher price than if the Adviser did not aggregate the order. If an aggregated order is only partially filled, the Adviser's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair to Clients. Depending on the investment strategy pursued and the type of security, this may result in a pro rata allocation to all participating Clients.

### **Item 13. Review of Accounts**

Each Client account is reviewed by the managers of the Adviser on an ongoing basis to determine whether securities positions should be maintained in view of current market conditions. Matters reviewed may include specific securities held, adherence to investment guidelines and the performance of each Client account.

Significant market events affecting the prices of one or more securities in Client accounts; changes in the investment objectives or guidelines of a particular Client; or specific arrangements with particular Clients may trigger reviews of Client accounts on other than a periodic basis.

Each Client will receive account reports in accordance with the Client's Investment Management Agreement with the Adviser.

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

This Item is not applicable.

## **Item 15. Custody**

Clients will receive account statements from a broker-dealer, bank or other qualified custodian and Clients should carefully review those statements.

The Adviser also sends quarterly statements directly to Clients in addition to those sent by the qualified custodian. Clients should compare any quarterly statements they receive from the custodian with those received from the Adviser.

## **Item 16. Investment Discretion**

The Adviser provides investment advisory services on a discretionary basis to Clients. Prior to assuming full discretion in managing a Client's assets, the Adviser enters into an Investment Management Agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary Client, the Adviser has the authority to determine (i) the securities to be purchased and sold for the Client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) (ii) the amount of securities to be purchased or sold for the Client account. Because of the differences in Client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among Clients in invested positions and securities held. The Adviser's managers submit an allocation statement to the Adviser's trading desk describing the allocation of securities to (or from) Client accounts for each trade/order submitted. The managers may consider the following factors, among others, in allocating securities among Clients: (i) Client investment objectives and strategies; (ii) Client risk profiles; (iii) tax status and restrictions placed on a Client's portfolio by the Client or by applicable law; (iv) size of the Client account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity and timing of cash flows. Although it is the Adviser's policy to allocate investment opportunities to eligible Client accounts on a pro rata basis (based on the value of the assets of each participating account relative to value of the assets of all participating accounts), these factors may lead the managers to allocate securities to Client accounts in varying amounts. Even Client accounts that are typically managed on a pari passu basis may from time to time receive differing allocations of securities based on total assets of each account eligible to invest in the particular investment type (e.g., equities) divided by the total assets of all accounts eligible to invest in the particular investment.

The Adviser may effect cross transactions between discretionary Client accounts, except as otherwise noted below. Cross transactions enable the Adviser to effect a trade between two Clients for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may be created through entrance into the market and saving commission costs for both accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. The Adviser has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions occur, the Adviser's error correction procedure is to ensure that Clients are treated fairly and, following error correction, are in the same position they would have been if the error had not occurred. The Adviser has discretion to resolve a particular error in any appropriate manner that is consistent with the above stated policy. In the event that a Client account incurs a trade error as a result of the Adviser's gross negligence, willful misconduct, or fraud, trade errors will be corrected by the Adviser as soon as practicable, in a manner such that the Client incurs no loss. Trade errors that result other than by breach of the standard of care above are borne by the Client account.

#### **Item 17. Voting Client Securities**

To the extent the Adviser has been delegated proxy voting authority on behalf of its Clients, the Adviser will comply with its proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to Client securities, such proxies are voted in the best interests of its Clients. The Adviser generally will vote against proposals that make it more difficult to replace members of a board of directors. For all other proposals including matters such as, without limitation, corporate events (mergers and acquisition transactions, dissolutions, conversions, or consolidations) or contested elections for directors, the Adviser will determine whether a proposal is in the best interests of the Client and may take into account the following factors, among others: (i) whether the proposal was recommended by management and the Adviser's opinion of management; (ii) whether the proposal acts to entrench existing management; (iii) whether the proposal fairly compensates management for past and future performance; and (iv) the potential effect of the vote on the value of Clients' investments.

In voting proxies, the Adviser utilizes the services of a third-party proxy agent that votes in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors and increases in or reclassification in common stock and votes against proposals that make it more difficult to replace members of a board of directors.

#### **Item 18. Financial Information**

This Item is not applicable.