

**Part 2A of Form ADV: Firm Brochure**

**Item 1 Cover Page**



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File No. 801-47515

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March 30, 2020

This Part 2A of Form ADV, otherwise referred to as the “Brochure,” provides prospective clients with information about the qualifications and business practices of Horizon Kinetics Asset Management LLC (hereinafter occasionally referred to as “Horizon Kinetics,” the “Firm” or the “Adviser”). This Brochure contains information that should be considered before or at the time of obtaining advisory services from Horizon Kinetics and has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or any state securities authority. Any reference to Horizon Kinetics being registered with the SEC does not imply that the company or any of its management persons have achieved a certain level of skill or training. Horizon Kinetics will not assign its duties to you to any other party without your consent, as that term is defined in Section 202(a)(1) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

This document is not, and is not intended to be, a marketing brochure, nor is it designed to provide detailed information about all aspects of Horizon Kinetics’ business.

If you have any questions about the contents of this Brochure, please contact the Legal and Compliance Department of the Firm at (646) 291-2300 or at [compliance@horizonkinetics.com](mailto:compliance@horizonkinetics.com). Additional information about Horizon Kinetics is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Please print a copy of this Brochure and retain it for future reference.

**Item 2    Material Changes**

The Firm's last update occurred on March 30, 2020. Since the last update, there have not been any material changes to the Firm's business.

The Firm will update this Brochure at least annually, or sooner, as required to ensure the material accuracy of the information contained herein. The Firm will provide a copy of this Brochure upon request, and as required by applicable law. To the extent a summary of material changes to this Brochure is provided, the summary will include an offer to provide a full Brochure upon request.

Whenever you would like to receive a copy of our Firm Brochure, please contact us at (646) 291-2300 or by email at [compliance@horizonkinetics.com](mailto:compliance@horizonkinetics.com); or you may also download a copy of it from the SEC's website: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

Horizon Kinetics (f/k/a Horizon Asset Management LLC) is a Delaware limited liability company formed and registered with the SEC in 1994. On May 1, 2011, the Firm became a subsidiary of Horizon Kinetics LLC, a parent holding company (the “Parent Company”). The Firm has two affiliates that are broker-dealers, KBD Securities, LLC (“KBD”) and Kinetics Funds Distributor LLC (“KFD”). The Firm manages separately managed accounts, investment companies, and private funds.

There are no principal owners that have beneficial ownership of over 25% or more of the Firm, as indicated on Schedule A of Part 1A of Form ADV, which is available on the SEC’s website. The Firm does not have any publicly held intermediate subsidiaries.

Since the Firm’s founding, we have had consistency in our investment teams, supported by stability in our organization. Murray Stahl, Steven Bregman, and Peter Doyle comprise Horizon Kinetics’ Investment Oversight Committee which is responsible for the Firm’s investment philosophy and process. The Firm’s research team has worked closely together for over 20 years under the direction of the Investment Oversight Committee.

Horizon Kinetics was founded in 1994 by Murray Stahl, Steven Bregman, Peter Doyle, Tom Ewing, and John Meditz. Prior to being merged into the Firm in April 2019, Kinetics Asset Management LLC, founded in 1996, operated as an affiliated investment adviser of the Firm. Prior to being merged into the Firm in April 2019, Kinetics Advisers, LLC, founded in 2000, operated as an affiliated investment adviser of the Firm.

Horizon Kinetics’ research team has been publishing research continuously since the early days of the Firm, and currently produces seven research reports. These research reports are purchased by a number of institutional clients and high net worth individuals. Certain reports are also available to the public on the Firm’s website, [www.horizonkinetics.com](http://www.horizonkinetics.com).

These publications tend to focus on companies in transition, either in actuality or in investor perception. Our expertise is best demonstrated in the analysis of a company that has undergone or is undergoing a significant change in its capital structure, where the institutional analysts can no longer evaluate these companies through their traditional models. Horizon Kinetics believes that writing research is a key component of our investment philosophy and process. Please see Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss) for a more detailed description of each of these research reports.

Horizon Kinetics provides discretionary investment advisory services to a variety of investment products:

##### ***Kinetics Mutual Funds, Inc.***

The Firm provides discretionary investment advisory services to the Kinetics Mutual Funds, Inc. (“KMF”), a series of U.S. investment companies (each a “Fund” or collectively, the “Funds”) registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). KMFs are generally appropriate for long-term investors and as such the Funds impose a Redemption Fee equal to 2.00% for any redemptions made within 30 days of purchase. The Firm’s management of KMFs is consistent with the strategies and objectives outlined in each Funds’ Prospectus and Statement of Additional Information.

##### ***The Renn Fund, Inc.***

The Firm provides discretionary investment advisory services to the Renn Fund, Inc. (the “Renn Fund”), a closed-end investment company that trades on the New York Stock Exchange and is registered under the Investment Company Act of 1940.

##### ***Separately Managed Accounts***

The Firm provides discretionary investment advisory services to numerous institutional and retail separate accounts (“SMAs”), including through direct, model delivery and wrap programs. SMAs are generally only available to institutional and High Net Worth investors. In addition to offering a variety of established investment strategies,

the Firm also offers customized investment management strategies through separate accounts (“Custom Accounts”). Custom Accounts may utilize a combination of existing strategies offered by the Firm, or may invest in securities or other instruments not otherwise offered by the Firm. Fees for a Custom Account may vary and depend on, among other things, the strategy and the complexity of managing the account. Placing investment restrictions on a separately managed account or on investment advice in general may adversely affect the Firm’s ability to implement its investment strategy, to track a composite, or to generate the returns the Firm might otherwise have been able to produce if the investment restrictions were not imposed on the account. The Firm’s management of SMAs is consistent with the terms of each account’s investment advisory agreement.

The Firm is not a wrap program sponsor; however, it is a participant in wrap programs as it provides portfolio management services to those clients who invest through a wrap program with their custodian. In these instances, the Firm does not evaluate a client’s individual investment objectives and the Firm does not review a client’s suitability for a particular strategy. These responsibilities are undertaken by the wrap fee sponsor and/or the client’s broker. The strategies managed by the Firm through model delivery and wrap programs may differ from other accounts managed by the Firm in that they may be more or less concentrated, have more or less investment restrictions, hold more or less cash, employ special methods to address end of year tax issues and may use directed brokerage (as further described under Item 12).

### ***Private Funds***

The Firm provides discretionary investment advisory services to private funds (as defined under the Dodd-Frank Wall Street Reform and Consumer Protection Act) which employ a variety of investment strategies, including those focused on equity, fixed income, alternatives, and multi-strategies. The private funds are generally only available to certain sophisticated, qualified investors. In addition, the Firm and/or its related entities also serve as the General Partner to the private funds. The Private Funds are intended for long-term investors and as such, Horizon Kinetics reserves the right to impose restrictions, as it may deem necessary or appropriate, to discourage or prevent short-term trading activity in connection with its advisory services. Such restrictions could include, without limitation, a fee imposed on the redemption or transfer of assets made within a certain time period or suspension or a redemption for any reason, in the sole determination of the Firm. The Firm’s management of private funds is consistent with each funds’ offering documentation.

### ***Sub-Advised Funds***

The Firm serves as sub-adviser to a number of U.S. investment companies. In such arrangements, the Firm generally provides investment and back-office services while another, third party serves as adviser to the funds.

### ***Other***

On a limited basis, Horizon Kinetics also provides other investment advisory services such as asset allocation solutions, investment consulting, investment and investment policy monitoring, non-discretionary investment management, and advice relating to current and future investments. Clients retain discretion over all assets under consulting arrangements, and are responsible for implementing or declining to implement any consulting services or advice provided by Horizon Kinetics.

The Firm’s management of client assets is made considering potential tax consequences, but the Firm does not manage assets with regard for each underlying investor’s specific tax objectives. Investors are responsible for any tax liabilities resulting from transactions (including any arising from, the addition of assets to, or withdrawal of assets from the investor’s capital account). Horizon Kinetics makes no representation regarding the likelihood or probability that any proposed investment will in fact achieve a particular goal.

Each client must carefully consider the appropriateness of the proposed investments in light of the client’s own personal financial circumstances, including cash flow needs, unusual tax circumstances or other complex or subjective concerns. Clients are urged to seek the advice of tax professionals and to use all available resources to educate themselves about investments in general, as well as the investments made by Horizon Kinetics.

**Assets under Management**

As of February 29, 2020, client assets managed by Horizon Kinetics totaled approximately \$4,876 million; discretionary assets totaled \$4,655 million and non-discretionary assets totaled \$221 million.

## **Item 5 Fees and Compensation**

Horizon Kinetics' advisory fee schedules are based on, among other things, the type of investment product.

### ***Kinetics Mutual Funds, Inc. Fees***

The Firm receives a management fee based on the assets under management in client accounts. Fees from KMFs are deducted and paid monthly in arrears pursuant to the investment advisory agreement between the Firm and KMFs.

The Firm receives a management fee of between 0.90% and 1.25% of the assets under management for its services as investment manager to KMFs. The complete list of expenses attributable to each fund is located in each fund's most recent prospectus, which can be accessed here: [www.kineticsfunds.com](http://www.kineticsfunds.com).

Investors holding shares of KMF are subject to certain fees and expenses, which primarily consist of brokerage and transaction fees charged by executing brokers, administration fees charged by the administrator, and audit fees charged by the auditor. Investors should consult the prospectus of KMF for a complete list of fees and expenses relating to an investment. There may also be fees for exchange fees, SEC fees, advisory and administrative fees charged by mutual fund companies and exchange-traded funds held in the portfolios, custodial fees, transfer taxes, wire transfer and electronic fund processing fees, and commissions or mark-ups/mark-downs on security transactions. Many fees, including custodian, audit and administrative fees may be negotiated between KMFs and the service provider.

### ***Separately Managed Account Fees***

The Firm's fee schedule for SMAs distinguishes between private clients and institutional accounts. Institutional accounts are those that invest a minimum of \$5 million. Fees are generally paid directly or deducted from a client's account quarterly, in arrears, although certain clients may elect to pay the Firm in advance. Clients invested through wrap programs sponsored by third party financial institutions generally pay the wrap program sponsor and/or custodian directly. In that instance, the Firm receives its fee from the sponsor and/or custodian.

The Firm reserves the right to negotiate minimum account size, dependent upon various factors, including, but not limited to, the scope of the advisory services provided, economies of scale, the expectation of future assets, and any historic relationship with Horizon Kinetics. Certain types of delivery versus payment (DVP) arrangements may result in higher minimums than those stated.

Fees for client accounts are generally based on the market value of the assets under management in accordance with the schedules stated below. Certain Custom Accounts may charge fees that are higher or lower than other accounts that have holdings similar to the strategies listed below.

The Firm may also offer strategies that impose a performance fee (also referred to as an incentive fee). A performance fee is a fee based on a share of capital gains on, or capital appreciation of, the assets of an account. Performance fees are generally deducted from an investors account annually, at the end of every calendar year, but may also be deducted quarterly. Performance fees may also be subject to a "high water mark," or other "hurdle rate," pursuant to the investment management agreement.

Fees may be assessed either monthly or quarterly (the "accounting period"), using a 365-day calendar, and either in advance or in arrears, in accordance with the terms of the offering memorandum, client's investment management agreement and/or the practices of the sponsor program servicing the client account. Typically, clients authorize the deduction of fees from their accounts; however, certain clients may choose to be billed directly.

Fees are generally calculated based on the period-end market value of all assets in the client account, including securities, cash and cash equivalents. Security values are determined in accordance with Horizon Kinetics' written pricing policies and procedures which primarily rely on pricing from independent third-party sources but may be made by Horizon Kinetics where such third-party pricing is not available or where it reasonably believes third-

party prices are incorrect. Fees for accounts that are active for partial accounting periods are prorated, based on the number of days the account was open.

Clients with a portion of their separately managed account assets invested in KMF or Renn Fund are not charged a fee by Horizon Kinetics on the portion of their account invested in KMF or the Renn Fund. However, accounts that hold KMF or Renn Fund will incur the costs related to being a shareholder in such funds, including management fees, administrative fees, and other similar fees as described in the applicable KMF or Renn Fund Prospectus. The annual total net expense ratio for a particular fund may be higher or lower than the management fee Horizon Kinetics charges for an investment account.

Clients may pay investment management fees in advance; however, Horizon Kinetics does not require prepayment of advisory fees. If a Client has paid fees in advance, upon termination, Horizon Kinetics will remit to the Client the remaining prorated portion of any prepaid fees.

The Firm's basic SMA fee schedule is as follows. Please note that fees may be negotiated with certain clients.

**Private Client Accounts:**

<i>Strategy</i>	<i>Fees</i>	<i>Investment Minimum</i>
All-Cap Asia Opportunities Core Value Global Large Cap Value High Yield Large Cap Research Select Small Cap Spin-Off Strategic Value	First \$5 million = 1.00% Next \$5 million = 0.95% Next \$15 million = 0.85% Over \$25 million = 0.75%	\$500,000

**Institutional Accounts:**

Although fees may be negotiated, the Firm's basic fee schedules and investment minimum amounts are stated below. The minimum account size for institutional accounts is generally \$5,000,000.

<i>Strategy</i>	<i>Fees</i>	<i>Investment Minimum</i>
Asia Opportunities	First \$25 million = 1.00% Over \$25 million = 0.75%	\$5,000,000
Core Value Global Large Cap Value Large Cap	First \$5 million = 1.00% Next \$5 million = 0.75% Next \$15 million = 0.60% Next \$25 million = 0.50% Over \$50 million = 0.45%	\$5,000,000
Research Select Strategic Value Spin-Off	First \$5 million = 1.00% Next \$5 million = 0.85% Next \$15 million = 0.75% Next \$25 million = 0.65% Over \$50 million = 0.60%	\$5,000,000



Small Cap	First \$5 million = 1.00% Next \$5 million = 0.90% Next \$15 million = 0.80% Over \$25 million = 0.70%	\$5,000,000
High Yield	First \$25 million = 0.75% Over \$25 million = 0.50%	\$5,000,000

### ***Private Fund Fees***

With respect to private investment funds (“Private Funds”), Horizon Kinetics receives fees as set forth in each Private Fund’s respective confidential Private Placement Memorandum (the “Offering Documents”), which generally consists of a management fee and, as applicable, a performance fee. A management fee is a fee the Firm charges on fund assets and are generally deducted from an investor’s capital account monthly, in arrears. A performance fee is a fee based on a share of capital gains on, or capital appreciation of, the assets of a fund. Performance fees are generally deducted from an investor’s capital account annually, at the end of every calendar year, but may also be deducted quarterly. Any such performance fees will comply with the applicable requirements of the Advisers Act and specifically Section 205-3 thereof (otherwise referred to as the “Performance Fee Rule”). Some Fund investors, including employees of Horizon Kinetics, may negotiate or be entitled to terms and conditions that differ from those of other Fund investors, with respect to fees and other provisions. Private Funds are not appropriate for all investors. Eligible prospective investors and current investors should refer to each Private Fund’s confidential Private Placement Memorandum for a complete list of risks, expenses, investment minimums and other important information.

### ***Closed-End Fund Fees***

The Firm is the investment adviser to the Renn Fund, a closed-end fund. Pursuant to the terms of the investment advisory agreement between the Firm the Renn Fund, the Firm does not charge a management fee on net assets that are less than \$25 million. The fee payable to the Firm thereafter will be 1.0%, but only with respect to those assets above \$25 million. Investors should read the Renn Fund’s disclosure documents carefully before investing.

### ***Mutual Fund Sub-Advisory Fees***

Mutual fund sub-advisory fees vary by fund and are described in each such fund’s Prospectus and Statement of Additional Information. You should read a fund’s Prospectus carefully before investing.

### ***Research Reports***

Horizon Kinetics’ research reports are available through a third-party, independent distributor. Fees and subscription terms for research reports are negotiated through the distributor. Horizon Kinetics is paid a percentage of the fees received by the distributor.

### ***Negotiability of Fees***

Fees may be negotiated and a client may pay more or less than similar clients depending on various factors, including, but not limited to, account size, historic relationship with Horizon Kinetics, the potential for future business prospects, the scope and complexity of the advisory services provided (e.g., service level and reporting requirements). The Firm reserves the right to negotiate different fees with clients, which may be higher or lower than those reflected herein. Certain investors, including employees or owners of the Firm, may negotiate lower fees or be entitled to different terms and conditions than those of other investors. Fee minimums may apply.

### ***Additional Fees and Expenses***

In addition to fees paid to Horizon Kinetics for management of an account, investors are also subject to certain fees and expenses charged by, and paid directly to, third parties including broker-dealers and/or custodian banks, whether or not securities are being purchased, sold or held in client accounts. Horizon Kinetics does not receive, directly or indirectly, any of these fees charged to client accounts. They are paid to broker-dealers, custodians, mutual funds or other financial institutions that are responsible for holding or transacting in securities held in client accounts. These fees include, but are not limited to: brokerage commissions, transaction fees, exchange fees, SEC fees, advisory fees and administrative fees charged by mutual fund companies and exchange-traded funds (“ETFs”), custodial fees, transfer taxes, wire transfer and electronic fund processing fees, and commissions or mark-ups/mark-downs on security transactions. Custodial fees are negotiated between the client and the respective custodian. Horizon Kinetics does not recommend custodians to its clients, nor is Horizon Kinetics involved in the negotiation of custodian relationships.

Supervised persons (defined as any officers, partners, directors or other persons occupying a similar status or performing similar functions, or employee, or other person who provides investment advice on the Firm’s behalf and is subject to the Firm’s supervision and control) are not compensated on the sale of securities or other investment products; however, as noted in Item 10 (Other Financial Industry Activities and Affiliations) of this Brochure, KBD Securities, LLC (“KBD”), an affiliate of the Firm, has a contractual arrangement with the Firm for the payment of fees relating to the referral of investors to the Firm. Similarly, the Firm has contractual agreements with other third-party marketers as further described in Item 10 of this Brochure. Any fees paid to KBD, other third-party marketers, or Horizon Kinetics sales and marketing employees are paid directly by the Firm and are not paid by clients. KBD is a broker-dealer registered with the SEC and a member of the Financial Industry Regulatory Authority (“FINRA”).

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

The Firm generally charges its clients a management fee and certain clients may also pay the Firm a performance fee, with the exception of certain owners and employees of the Firm, as described in Item 5 of this Brochure.

Performance-based or incentive fee arrangements may create an incentive for Horizon Kinetics to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements may also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.

The Firm employs strict compliance policies designed to ensure that all accounts are treated fairly, that no account is favored over another, and to prevent the differentials in fee structure from influencing the allocation of investment opportunities among clients. To mitigate such conflicts of interest or potential conflicts of interest, the Firm has adopted policies and procedures, including, among others, a Code of Ethics (the “Code”) and a Trade Aggregation and Allocation Policy (the “Trade Policy”), further described in this Brochure under Item 12 (Brokerage Practices). The Firm’s Chief Compliance Officer (“CCO”) is responsible for implementing the Firm’s compliance program, the policies and procedures of which are reasonably designed to monitor, detect and prevent conflicts of interest. The CCO, or his designee, reviews trade allocations on a periodic basis to ensure adherence to the Firm’s Trade Policy (further described under Item 12 of this Brochure).

Only certain sophisticated clients that meet minimum net worth and financial standards are permitted to invest in products that charge performance fees. Performance fee products may also employ more complex investment strategies that are not appropriate for all investors.

**Item 7 Types of Clients**

Horizon Kinetics provides investment advice to a wide variety of clients, including but not limited to pension and profit-sharing plans, Taft-Hartley plans, public funds, endowments and foundations, supranational entities, government-sponsored entities, educational and healthcare facilities and other corporate entities, as well as to high net worth clients through model delivery, dual-contract, and wrap fee programs. In addition, Horizon Kinetics provides investment advisory services to the following types of clients:

1. Kinetics Mutual Funds, Inc. a series of U.S. open-end investment companies registered under the Investment Company Act;
2. U.S. open-end investment companies registered under the Investment Company Act where the Firm serves as sub-adviser;
3. A U.S. closed-end investment company registered under the Investment Company Act;
4. Institutional and retail separate accounts, which are offered directly by the Firm, through third party financial intermediaries, and through model delivery platforms; and
5. Private investment funds that are appropriate for institutional and high net worth investors.

Investors in these products are required to adhere to the criteria established in the applicable Offering Documents, prospectus, or similar offering document or investment management agreement for purposes of maintaining an account with the Firm.

***Minimum Investment Amounts******Kinetics Mutual Funds, Inc.***

KMF is set up in a master/feeder structure, except for one fund that is not part of the master/feeder structure. Kinetics Portfolio Trust, a statutory trust organized pursuant to a Declaration of Trust under the laws of the State of Delaware, was established in 2000 and is comprised of a series of mutual funds, certain of which are non-diversified, and others of which are diversified. KMF is a Maryland corporation established in 1999 that is comprised of open-end management investment companies. Each fund is a feeder fund that invests all of its investable assets in a corresponding “master” portfolio.

The minimum investment for all but the institutional classes of KMF is \$2,500. Institutional class minimums are \$1,000,000. Minimums may be waived under certain circumstances as outlined in the prospectus.

***The Renn Fund, Inc.***

The Renn Fund trades on the New York Stock Exchange and as such there is no minimum investment amount attributable to the fund.

***Separately Managed Accounts***

The minimum account size for an SMA is generally \$500,000; however, the Firm may allow a lesser amount in its sole discretion. Notwithstanding the minimum account sizes referenced under Item 5 (Fees and Compensation), the requirements for opening and maintaining a separate accounts varies based on the account’s applicable investment management agreement. All such minimum investment size requirements listed herein vary and may be negotiated on a case-by-case basis.

### *Private Funds*

Investors in the private funds are required to adhere to the criteria established in each private funds' Offering Documents. The minimum investment for the private funds varies whereby most funds require an investment of greater than \$250,000; however, for certain funds, the investment minimum is \$25,000. Regardless of the stated minimum, the Firm has the right to allow a lesser amount.

**Item 8 Methods of Analysis, Investment Strategies and Risk of Loss****Material, Significant, or Unusual Risks Relating to Investment Strategies**

Horizon Kinetics authors research reports for numerous institutional clients and is involved in the creation and maintenance of rule-based indices. As a result, the Firm may restrict the trading in client and employee accounts of certain securities for a period of time consistent with the Firm's compliance policies and procedures. These restrictions may adversely affect certain funds' and accounts' ability to implement their investment strategy. For instance, certain funds and accounts may be delayed in purchasing a security at a lower price during such restricted period and may not be able to sell a security as quickly as it might otherwise have wanted to if such restriction were not in effect. The Firm utilizes a restricted list and has adopted policies and procedures thereunder to detect and mitigate or prevent potential conflicts of interest.

**Investment Objectives**

The investment objectives of the funds and accounts managed by Horizon Kinetics are set forth in, among other things, the respective Prospectus, Offering Documents, or investment advisory agreements applicable to the particular fund or account.

**Method of Analysis**

Horizon Kinetics conducts its own proprietary in-house research consisting primarily of a qualitative and quantitative, bottom-up, value-oriented analysis of a wide universe of companies operating in the U.S. and abroad. Accounts are managed primarily by investing, trading and dealing in public securities of all kinds and descriptions, including, but not limited to, equity, debt, convertible securities, preferred stock, options, warrants, trade claims, and monetary instruments. Horizon Kinetics, on behalf of its client, may also invest in arbitrage and special situations, both long and short securities positions, option arbitrage, commodities, digital currencies, international arbitrage and other financial instruments.

**Risks**

Investing in securities involves risk of loss that clients should be prepared to bear. All investments risk the loss of invested capital and the performance of investments is not guaranteed. Certain investment techniques, such as short sales, synthetic short sales, investments in illiquid investments and limited diversification, in some circumstances, may create heightened risks. Short selling the securities of an issuer may subject clients to unlimited loss. Additionally, short selling is subject to certain restrictions imposed by various national and regional securities exchanges, which restrictions could have a negative impact on the Firm's clients. Synthetic short selling, the practice of purchasing a security normally a candidate for a short sale and simultaneously selling "call" options and purchasing "put" options on the same underlying security, may also present increased risks of loss.

At times the markets for some securities, including securities chosen by the Firm, may have or develop limited liquidity and depth. This lack of depth may have a material impact on the level and volatility of security prices and the liquidity of the investments made by the Firm on behalf of its clients. The Firm may invest an account in such a way that it is concentrated in a limited number of holdings. A portfolio with fewer positions could be expected to have greater volatility from individual security price changes than would a portfolio holding a larger number of positions.

The Firm may also choose to invest in smaller or medium sized capitalization companies of a less seasoned nature than large capitalization companies. As smaller and medium sized companies may face significant factors preventing them from competing against larger, better known companies, investments in "small cap" or "mid cap" securities often involve significantly greater risks than investments in larger capitalization companies.

The Firm may invest in options, which present unique risks. Should interest rates or exchange rates or the prices of securities or financial indices move in an unexpected or unanticipated manner, the Firm's clients may not achieve the desired benefit of the options and derivatives and may realize a loss. Such strategies may subject clients to greater fluctuations in value than would an investment in the underlying securities.

The Firm may manage certain accounts with borrowed money to purchase securities, otherwise known as using leverage or borrowing on margin. Although such practice may allow for greater capital appreciation, it also increases the client's exposure to capital risk and higher current expenses. Moreover, if the assets under management are insufficient to pay the principal of, and interest on, the debt when due, the clients could sustain a total loss of their investment. Additionally, when the Firm purchases securities on margin, because the Firm has only paid for a portion of the instrument's face value and has borrowed the remainder, a relatively small price movement may result in substantial losses. Trading on margin will also result in interest charges.

The Firm is registered and regulated by a variety of federal, regional and state regulators, including the SEC. Registered investment advisers are subject to extensive regulation, including the requirements imposed by the Advisers Act. To the extent the Firm's registration is suspended, cancelled or otherwise revoked, its clients may be adversely affected. In addition, the Firm manages certain private funds that are not registered as investment companies under the Investment Company Act or any other similar state laws. Registered investment companies are subject to extensive regulation. Investors, therefore, will not be accorded the protective measures provided by such regulation.

As always, past performance of any of the Firm's investment products does not represent or guarantee future results. The success of any investment activity is influenced by general economic conditions, which may affect the level and volatility of interest rates and the extent and timing of investor participation in the markets for both equity and interest rate sensitive securities. Unexpected volatility or illiquidity in the markets in which the Firm directly or indirectly holds positions could impair the Firm's ability to carry out its business and could cause losses to its clients.

#### **Common and Preferred Stock; Convertible Securities**

Common stocks are units of ownership of a corporation. Preferred stocks are stocks that often pay dividends at a specific rate and have a preference over common stocks in dividend payments and liquidation of assets. Some preferred stocks may be convertible into common stock. Convertible securities are securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula.

#### **Debt Securities**

The Firm, on behalf of the accounts it manages, may invest in convertible and non-convertible debt obligations without regard to rating, and as a result, may purchase or hold securities in the lowest rating categories. Debt securities in the lowest investment grade categories are considered to be below investment grade securities that may not have adequate capacity to pay principal or that otherwise generally lack the characteristics of desirable investments. As compared to debt securities with higher ratings, these "high risk" securities are vulnerable to nonpayment and depend to a larger degree upon favorable business, financial and economic conditions for the obligor to meet its financial commitment on the obligation. Additionally, the fixed-income securities in which the Firm may invest are generally subject to interest rate risk, credit risk, market risk and call risk.

#### **Interest Rate Risk**

There is a risk that when interest rates increase, fixed-income securities held by an account will decline in value. Long-term fixed-income securities will normally have more price volatility because of this risk than short-term fixed-income securities.

#### **Credit Risk**

This risk relates to the ability of the issuer to meet interest and principal payments, as they become due. The ratings given a security by rating services such as Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Rating Service ("S&P") generally provide a useful guide as to such credit risk. The lower the rating given a security by such rating service, the greater the credit risk such rating service perceives to exist with respect to such security.

Increasing the amount of portfolio assets invested in unrated or lower-grade securities, while intended to increase the yield produced by those assets, will also increase the credit risk to which those assets are subject.

### **Market Risk**

All accounts are affected by changes in the economy and swings in investment markets. These can occur within or outside the U.S. or worldwide, and may affect only particular companies or industries.

### **Call Risk**

The risk that an issuer will exercise its right to pay principal on an obligation held by an account (such as an asset-backed security) earlier than expected. This may happen when there is a decline in interest rates. Under these circumstances, an account may be unable to recoup all of its initial investment and will also suffer from having to reinvest in lower yielding securities.

### **When-Issued and Delayed Delivery Transactions**

The Firm, on behalf of the accounts it manages, may purchase short-term obligations on a when-issued or delayed delivery basis. These transactions are arrangements in which the portfolios purchase securities with payment and delivery scheduled for a future time. The seller's failure to complete these transactions may cause the accounts to miss a price or yield considered advantageous. Settlement dates may be a month or more after entering into these transactions and the market values of the securities purchased may vary from the purchase prices.

The accounts may dispose of a commitment prior to settlement if the Firm deems it appropriate to do so. In addition, each account may enter into transactions to sell its purchase commitments to third parties at current market values and simultaneously acquire other commitments to purchase similar securities at later dates. An account may realize short-term profits or losses upon the sale of such commitments.

These transactions are made to secure what is considered to be an advantageous price or yield for an account. No fees or other expenses, other than normal transaction costs, are incurred. However, liquid assets of the account sufficient to make payment for the securities to be purchased are segregated on the account's records at the trade date. These assets are marked to market daily and are maintained until the transaction is settled.

### **Digital Currencies / Cryptocurrencies**

The Firm, on behalf of the accounts it manages, may invest in digital currencies or products that track or otherwise have exposure to digital currencies. The value of a particular digital currency is determined by the supply of and demand for the digital currency in the global market in which it trades, which consists of transactions on electronic exchanges which are not currently regulated by any U.S. regulator. Pricing on electronic digital currency exchanges and other venues can be volatile and can adversely affect the value of the digital currency being transacted. Currently, there is relatively small use of digital currencies in the retail and commercial marketplace in comparison to the relatively large use by speculators, thus contributing to price volatility that could adversely affect a portfolio's direct or indirect investments in digital currencies. Also, transactions in digital currencies are irrevocable, and stolen or incorrectly transferred digital currencies may be irretrievable. As a result, any incorrectly executed digital currency transactions could adversely affect the value of a portfolio's direct or indirect investment in such digital currency. To the extent a portfolio has exposure to one or more digital currencies through a fund sponsored or managed by a third-party, it is possible that shares of such third-party fund trade at a premium or discount to its net asset value. In this way, the value of the third-party fund may increase or decrease while the underlying digital currency it is tracking performs differently.

### **Custody Issues Related to Digital Currencies / Cryptocurrencies**

Cryptocurrencies (also referred to as digital assets) represent a relatively new asset class. As such, the regulatory landscape continues to evolve over time. Moreover, unlike more traditional assets, ownership of cryptocurrencies is evidenced on each cryptocurrencies' blockchain network. In certain instances, private funds managed by the



Firm may have exposure to cryptocurrencies directly (e.g., owning the cryptocurrencies themselves as opposed to another type of investable instrument or security that provides exposure). In these instances, the Firm maintains hardware wallets that are stored in safe deposit boxes at a qualified custodian. Accordingly, the Firm has adopted controls designed to protect digital assets from being lost, misused or misappropriated. While the Firm believes that the methods utilized satisfy regulatory rules relating to custody, it is possible that one or more regulatory agencies will determine such methods of custody not to be in accordance with applicable law. In such instances, the Firm may be forced to, among other things, transfer or dispose of cryptocurrencies, which may adversely affect such investments.

### **Exchange-Traded Funds (ETFs)**

The Firm, on behalf of the accounts it manages, may invest in open-end investment companies whose shares are listed for trading on a national securities exchange or the Nasdaq Market System. ETF shares typically trade like shares of common stock and provide investment results that generally correspond to the price and yield performance of the component stocks of a widely recognized index such as the S&P 500<sup>®</sup> Index. There can be no assurance, however, that this can be accomplished as it may not be possible for an ETF to replicate the composition and relative weightings of the securities of its corresponding index. ETFs are subject to risks of an investment in a broadly based portfolio of common stocks, including the risk that the general level of stock prices may decline, thereby adversely affecting the value of such investment. Individual shares of an ETF are generally not redeemable at their net asset value, but trade on an exchange during the day at prices that are normally close to, but not the same as, their net asset value. There is no assurance that an active trading market will be maintained for the shares of an ETF or that market prices of the shares of an ETF will be close to their net asset values. The purchase of shares of ETFs may result in duplication of expenses, including advisory fees, in addition to a mutual fund's own expenses. An account may acquire an investment company's shares, received or acquired, as dividends, through offers of exchange or as a result of reorganization, consolidation or merger. The purchase of shares of other investment companies may result in duplication of expenses such that investors indirectly bear a proportionate share of the expenses of such mutual funds including operating costs and investment advisory and administrative fees.

### **Investment Company Securities**

The Firm, on behalf of the accounts it manages, may invest in securities issued by other investment companies to the extent permitted by the client's or Fund's Prospectus, SAI, investment advisory agreement or other applicable offering documents. As a shareholder in an investment company, an account would bear the pro rata portion of the investment company's expenses, including advisory fees, in addition to the fees such shareholder pays to the Firm.

### **Restricted and Illiquid Securities**

An illiquid asset is any asset which may not be sold or disposed of in the ordinary course of business within seven days at approximately the value at which an account, as applicable, has valued the investment. Each account may invest in securities that are illiquid at the time of purchase, including restricted securities and other securities for which market quotations are not readily available. Restricted securities are any securities that are not registered under the Securities Act of 1933, as amended ("1933 Act") and are illiquid. The purchase of such securities could increase the level of illiquidity during any period that qualified institutional buyers become uninterested in purchasing these securities.

### **Depository Receipts**

The Firm, on behalf of the accounts it manages, may invest in American Depositary Receipts ("ADRs") and in other forms of depository receipts, such as International Depositary Receipts ("IDRs") and Global Depositary Receipts ("GDRs"). Depository receipts are typically issued in connection with a U.S. or foreign bank or trust company and evidence ownership of underlying securities issued by a foreign corporation. In particular, ADRs represent the right to receive securities of foreign issuers deposited in a bank or other depository. ADRs are traded in the United States and the prices of ADRs are quoted in U.S. dollars. Investments in depository receipts involve certain inherent risks generally associated with investments in foreign securities, including the following:

### ***Political and Economic Factors***

Individual foreign economies of certain countries may differ favorably or unfavorably from the United States economy in such respects as growth of gross national product, rate of inflation, capital reinvestment, resource self-sufficiency, diversification and balance of payments position. The internal politics of certain foreign countries may not be as stable as those of the United States. Governments in certain foreign countries also continue to participate to a significant degree, through ownership interest or regulation, in their respective economies. Action by these governments could include restrictions on foreign investment, nationalization, expropriation of goods or imposition of taxes, and could have a significant effect on market prices of securities and payment of interest. The economies of many foreign countries are heavily dependent upon international trade and are accordingly affected by the trade policies and economic conditions of their trading partners. Enactment by these trading partners of protectionist trade legislation could have a significant adverse effect upon the securities markets of such countries.

### ***Currency Fluctuations***

A change in the value of any foreign currency against the U.S. dollar will result in a corresponding change in the U.S. dollar value of an ADR's underlying portfolio securities denominated in that currency. Such changes will affect a portfolio to the extent that the portfolio is invested in ADRs comprised of foreign securities.

### ***Taxes***

The interest and dividends payable on certain foreign securities comprising an ADR may be subject to foreign withholding taxes, thus reducing the net amount of income to be paid to the portfolios and that may ultimately be available for distribution to the account's shareholders.

### ***Derivatives***

#### ***Buying Call and Put Options***

The Firm, on behalf of the accounts it manages, may purchase call options. Such transactions may be entered into in order to limit the risk of a substantial increase in the market price of the security that each account intends to purchase. Prior to its expiration, a call option may be sold in a closing sale transaction. Any profit or loss from the sale will depend on whether the amount received is more or less than the premium paid for the call option plus the related transaction cost.

The Firm, on behalf of the accounts it manages, may purchase put options. By buying a put, each account has the right to sell the security at the exercise price, thus limiting its risk of loss through a decline in the market value of the security until the put expires. The amount of any appreciation in the value of the underlying security will be partially offset by the amount of the premium paid for the put option and any related transaction cost. Prior to its expiration, a put option may be sold in a closing sale transaction and any profit or loss from the sale will depend on whether the amount received is more or less than the premium paid for the put option plus the related transaction costs.

#### ***Writing (Selling) Call and Put Options***

The Firm, on behalf of the accounts it manages, may write covered options on equity and debt securities and indices. In the case of call options, so long as an account is obligated as the writer of a call option, it will own the underlying security subject to the option and, in the case of put options, it will, through its custodian, deposit and maintain either cash or securities with a market value equal to or greater than the exercise price of the option.

Covered call options written by an account give the holder the right to buy the underlying securities from the account at a stated exercise price. A call option written by an account is "covered" if the account owns the underlying security that is subject to the call or has an absolute and immediate right to acquire that security without additional cash consideration (or for additional cash consideration held in a segregated account by its custodian bank) upon conversion or exchange of other securities held in its portfolio. A call option is also covered if an

account holds a call on the same security and in the same principal amount as the call written where the exercise price of the call held (a) is equal to or less than the exercise price of the call written or (b) is greater than the exercise price of the call written if the difference is maintained by the account in cash and high grade debt securities in a segregated account with its custodian bank. The Firm, on behalf of the accounts it manages, may purchase securities, which may be covered with call options solely on the basis of considerations consistent with the investment objectives, Prospectus, SAI, investment advisory agreement and applicable offering memorandum of the accounts. An account's turnover may increase through the exercise of a call option; this will generally occur if the market value of a "covered" security increases and the account has not entered into a closing purchase transaction.

As a writer of an option, each account receives a premium less a commission, and in exchange foregoes the opportunity to profit from any increase in the market value of the security exceeding the call option price. The premium serves to mitigate the effect of any depreciation in the market value of the security. The premium paid by the buyer of an option will reflect, among other things, the relationship of the exercise price to the market price, the volatility of the underlying security, the remaining term of the option, the existing supply and demand, and the interest rates.

The writer of a call option may have no control over when the underlying securities must be sold because the writer may be assigned an exercise notice at any time prior to the termination of the obligation. Exercise of a call option by the purchaser will cause an account to forego future appreciation of the securities covered by the option. Whether or not an option expires unexercised, the writer retains the amount of the premium. This amount may, in the case of a covered call option, be offset by a decline in the market value of the underlying security during the option period. If a call option is exercised, the writer experiences a profit or loss from the sale of the underlying security. Thus during the option period, the writer of a call option gives up the opportunity for appreciation in the market value of the underlying security or currency above the exercise price. It retains the risk of the loss should the price of the underlying security or foreign currency decline. Writing call options also involves risks relating to a portfolio's ability to close out the option it has written.

The Firm, on behalf of the accounts it manages, may write exchange-traded call options on its securities. Call options may be written on portfolio securities indices, or foreign currencies. With respect to securities and foreign currencies, the account may write call and put options on an exchange or over-the-counter. Call options on account securities will be covered since the account will own the underlying securities. Call options on securities indices will be written only to hedge in an economically appropriate way account securities that are not otherwise hedged with options or financial futures contracts and will be "covered" by identifying the specific account securities being hedged. Options on foreign currencies will be covered by securities denominated in that currency. Options on securities indices will be covered by securities that substantially replicate the movement of the index.

A put option on a security, security index, or foreign currency gives the purchaser of the option, in return for the premium paid to the writer (seller), the right to sell the underlying security, index, or foreign currency at the exercise price at any time during the option period. When an account writes a secured put option, it will gain a profit in the amount of the premium, less a commission, so long as the price of the underlying security remains above the exercise price. However, an account remains obligated to purchase the underlying security from the buyer of the put option (usually in the event the price of the security falls below the exercise price) at any time during the option period. If the price of the underlying security falls below the exercise price, the account may realize a loss in the amount of the difference between the exercise price and the sale price of the security, less the premium received. Upon exercise by the purchaser, the writer of a put option has the obligation to purchase the underlying security or foreign currency at the exercise price. A put option on a securities index is similar to a put option on an individual security, except that the value of the option depends on the weighted value of the group of securities comprising the index and all settlements are made in cash. During the option period, the writer of a put option has assumed the risk that the price of the underlying security or foreign currency will decline below the exercise price. However, the writer of the put option has retained the opportunity for appreciation above the exercise price should the market price of the underlying security or foreign currency increase. Writing put options also involves risks relating to an account's ability to close out the option that it has written.

The writer of an option who wishes to terminate its obligation may effect a "closing purchase transaction" by buying an option of the same series as the option previously written. The effect of the purchase is that the clearing

corporation will cancel the writer's position. However, a writer may not effect a closing purchase transaction after being notified of the exercise of an option. There is also no guarantee that an account will be able to effect a closing purchase transaction for the options it has written.

Effecting a closing purchase transaction in the case of a written call option will permit an account to write another call option on the underlying security with a different exercise price, expiration date, or both. Effecting a closing purchase transaction will also permit an account to use cash or proceeds from the investments. If an account desires to sell a particular security from its account on which it has written a call option, it will effect a closing purchase transaction before or at the same time as the sale of the security.

An account will realize a profit from a closing purchase transaction if the price of the transaction is less than the premium received from writing the option. Likewise, an account will realize a loss from a closing purchase transaction if the price of the transaction is more than the premium received from writing the option. Because increases in the market price of a call option will generally reflect increases in the market price of the underlying security, any loss resulting from the repurchase of a call option is likely to be offset in whole or in part by appreciation of the underlying security owned by the account.

### ***Writing Over-The-Counter ("OTC") Options***

The Firm, on behalf of the accounts it manages, may engage in options transactions that trade on the OTC market to the same extent that it intends to engage in exchange-traded options. Just as with exchange-traded options, OTC options give the holder the right to buy an underlying security from, or sell an underlying security to, an option writer at a stated exercise price. However, OTC options differ from exchange-traded options in certain material respects. OTC options are arranged directly with dealers and not, as is the case with exchange-traded options, through a clearing corporation. Thus, there is a risk of non-performance by the dealer. Because there is no exchange, pricing is typically done by reference to information obtained from market makers. Since OTC options are available for a greater variety of securities and in a wider range of expiration dates and exercise prices, the writer of an OTC option is paid the premium in advance by the dealer.

A writer or purchaser of a put or call option can terminate it voluntarily only by entering into a closing transaction. There can be no assurance that a continuously liquid secondary market will exist for any particular option at any specific time. Consequently, an account may be able to realize the value of an OTC option it has purchased only by exercising it or entering into a closing sale transaction with the dealer that issued it. Similarly, when an account writes an OTC option, it generally can close out that option prior to its expiration only by entering into a closing purchase transaction with the dealer to which it originally wrote the option. If a covered call option writer cannot effect a closing transaction, it cannot sell the underlying security or foreign currency until the option expires or the option is exercised. Therefore, the writer of a covered OTC call option may not be able to sell an underlying security even though it might otherwise be advantageous to do so. Likewise, the writer of a secured OTC put option may be unable to sell the securities pledged to secure the put for other investment purposes while it is obligated as a put writer. Similarly, a purchaser of an OTC put or call option might also find it difficult to terminate its position on a timely basis in the absence of a secondary market. The accounts have procedures for engaging in OTC options transactions for the purpose of reducing any potential adverse effect of such transactions on the liquidity of the accounts.

### ***Futures Contracts***

The Firm, on behalf of the accounts it manages, may buy and sell stock index futures contracts traded on domestic stock exchanges to hedge the value of the account against changes in market conditions. A stock index futures contract is an agreement between two parties to take or make delivery of an amount of cash equal to a specified dollar amount, times the difference between the stock index value at the close of the last trading day of the contract and the price at which the futures contract is originally struck. A stock index futures contract does not involve the physical delivery of the underlying stocks in the index. Although stock index futures contracts call for the actual taking or delivery of cash, in most cases each account expects to liquidate its stock index futures positions through offsetting transactions, which may result in a gain or a loss, before cash settlement is required.

Each account will incur brokerage fees when it purchases and sells stock index futures contracts, and at the time an account purchases or sells a stock index futures contract, it must make a good faith deposit known as the “initial margin”. Thereafter, an account may need to make subsequent deposits, known as “variation margin”, to reflect changes in the level of the stock index.

### ***Risks Associated with Options and Futures***

The Firm, on behalf of the accounts it manages, may write covered call options and purchase and sell stock index futures contracts to hedge against declines in market value of the account securities. The use of these instruments involves certain risks. As the writer of covered call options, an account receives a premium but loses any opportunity to profit from an increase in the market price of the underlying securities, though the premium received may partially offset such loss.

Although stock index futures contracts may be useful in hedging against adverse changes in the value of an account’s investment securities, they are derivative instruments that are subject to a number of risks. During certain market conditions, purchases and sales of stock index futures contracts may not completely offset a decline or rise in the value of an account’s investments. In the futures markets, it may not always be possible to execute a buy or sell order at the desired price, or to close out an open position due to market conditions, limits on open positions and/or daily price fluctuations. Changes in the market value of each account’s investment securities may differ substantially from the changes anticipated by the portfolio when it established its hedged positions, and unanticipated price movements in a futures contract may result in a loss substantially greater than the account’s initial investment in such a contract.

Successful use of futures contracts depends upon the Firm’s ability to correctly predict movements in the securities markets generally or of a particular segment of a securities market. No assurance can be given that the Firm’s judgment in this respect will be correct.

The Commodity Futures Trading Commission (“CFTC”) and the various exchanges have established limits referred to as “speculative position limits” on the maximum net long or net short position that any person may hold or control in a particular futures contract. Trading limits are imposed on the number of contracts that any person may trade on a particular trading day. An exchange may order the liquidation of positions found to be in violation of these limits and it may impose sanctions or restrictions. These trading and positions limits will not have an adverse impact on a portfolio’s strategies for hedging its securities.

### ***Participatory Notes***

The Firm, on behalf of the accounts it manages, may invest in participatory notes issued by banks or broker-dealers that are designed to replicate the performance of certain issuers and markets. Participatory notes are a type of equity-linked derivative which generally are traded over-the-counter. The performance results of participatory notes will not replicate exactly the performance of the issuers or markets that the notes seek to replicate due to transaction costs and other expenses. Investments in participatory notes involve the same risks associated with a direct investment in the shares of the companies the notes seek to replicate. In addition, participatory notes are subject to counterparty risk, which is the risk that the broker-dealer or bank that issues the notes will not fulfill its contractual obligation to complete the transaction with the account. Participatory notes constitute general unsecured contractual obligations of the banks or broker-dealers that issue them, and the account is relying on the creditworthiness of such banks or broker-dealers and has no rights under a participatory note against the issuers of the securities underlying such participatory notes. Participatory notes involve transaction costs. Participatory notes may be considered illiquid and, therefore, participatory notes considered illiquid will be subject to the portfolio’s percentage limitation for investments in illiquid securities.

### **Interest Rate Swaps, Total Rate of Return Swaps, Credit Swaps, Interest Rate Floors, Caps and Collars and Currency Swaps**

The Firm, on behalf of the accounts it manages, may enter into swap transactions and transactions involving interest rate floors, caps and collars for hedging purposes or to seek to increase total return. These instruments are privately negotiated over-the-counter derivative products. A great deal of flexibility is possible in the way these instruments

are structured. Interest rate swaps involve the exchange by the account with another party of their respective commitments to pay or receive interest, such as an exchange of fixed rate payments for floating rate payments. The purchase of an interest rate floor or cap entitles the purchaser to receive payments of interest on a notional principal amount from the seller, to the extent the specified index falls below (floor) or exceeds (cap) a predetermined interest rate. An interest rate collar is a combination of a cap and a floor that preserves a certain return within a predetermined range of interest rates. Total rate of return swaps are contracts that obligate a party to pay or receive interest in exchange for the payment by the other party of the total return generated by a security, a basket of securities, an index or an index component. Credit swaps are contracts involving the receipt of floating or fixed rate payments in exchange for assuming potential credit losses of an underlying security. Credit swaps give one party to a transaction the right to dispose of or acquire an asset (or group of assets), or, in the case of credit default swaps, the right to receive or make a payment from the other party, upon the occurrence of specific credit events. The portfolio also may enter into currency swaps, which involve the exchange of the rights of the portfolio and another party to make or receive payments in specific currencies.

Some transactions, such as interest rate swaps and total rate of return swaps are entered into on a net basis, *i.e.*; the two payment streams are netted out, with the account receiving or paying, as the case may be, only the net amount of the two payments. If the other party to such a transaction defaults, the account's risk of loss consists of the net amount of payments that the account is contractually entitled to receive, if any. In contrast, other transactions involve the payment of the gross amount owed. For example, currency swaps usually involve the delivery of the entire principal amount of one designated currency in exchange for the other designated currency. Therefore, the entire principal value of a currency swap is subject to the risk that the other party to the swap will default on its contractual delivery obligations. To the extent that the amount payable by the account under a swap or an interest rate floor, cap or collar is covered by segregated cash or liquid assets, the account and the Firm believe that transactions do not constitute senior securities under the 1940 Act and, accordingly, will not treat them as being subject to the account's borrowing restrictions.

Credit default swaps are contracts whereby one party makes periodic payments to a counterparty in exchange for the right to receive from the counterparty a payment equal to the par (or other agreed-upon) value of a referenced debt obligation in the event of a default by the issuer of the debt obligation.

When an account is the seller of a credit default swap contract, it receives the stream of payments but is obligated to pay upon default of the referenced debt obligation. As the seller, the account would effectively add leverage to its portfolio because, in addition to its total assets, the account would be subject to investment exposure on the notional amount of the swap. In addition to the risks applicable to derivatives generally, credit default swaps involve special risks because they are difficult to value, are highly susceptible to liquidity and credit risk, and generally pay a return to the party that has paid the premium only in the event of an actual default by the issuer of the underlying obligation (as opposed to a credit downgrade or other indication of financial difficulty).

The use of interest rate, total rate of return, credit and currency swaps, as well as interest rate caps, floors and collars, is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. If the Firm is incorrect in its forecast of market values, interest rates and currency exchange rates, the investment performance of the account would be less favorable than it would have been if this investment technique were not used.

### **Distressed Investments**

The Firm, on behalf of the accounts it manages, may invest in securities of companies that are in financial distress (*i.e.*, involved in bankruptcy or reorganization proceedings). There can be no assurance that the Firm will correctly evaluate all the factors that could affect the outcome of an investment in these types of securities. Financially distressed securities involve considerable risk that can result in substantial or even total loss on an account's investment. To the extent the Firm manages an account that invests in distressed debt, the account may hold securities that are illiquid or for which there is no active market. These securities carry special risks. If the client does not remain invested in a strategy that holds distressed investments for the recommended period, the client may incur substantial costs or losses associated with selling such instruments.

It is often difficult to obtain information as to the true condition of financially distressed securities. These securities are often subject to litigation among the participants in the bankruptcy or reorganization proceedings. Such investments may also be adversely affected by federal and state laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and a bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. These and other factors contribute to above-average price volatility and abrupt and erratic movements of the market prices of these securities. In addition, the spread between the bid and asked prices of such securities may be greater than normally expected and it may take a number of years for the market price of such securities to reflect their intrinsic value.

Securities of financially troubled companies require active monitoring and may, at times, require participation in bankruptcy or reorganization proceedings by the Firm. To the extent that the Firm becomes involved in such proceedings, the Firm may have a more active participation in the affairs of the issuer than that assumed generally by a shareholder, and such participation may generate higher legal fees and other transaction costs relating to the investment than would normally be the case. In bankruptcy and other forms of corporate reorganization, there exists the risk that the reorganization will: (1) be unsuccessful (due to, for example, failure to obtain the necessary approvals); (2) be delayed (for example, until various liabilities, actual or contingent, have been satisfied); or (3) result in a distribution of cash or a new security the value of which will be less than the purchase price of the security in respect to which such distribution was made.

### **Investment Philosophy and Process**

Horizon Kinetics' fundamental investment approach attempts to capitalize on the overwhelming desire investors have to achieve short-term results. Horizon Kinetics believes long-term price inefficiencies can be created by the collective, short-term focus of the markets. Events that may occur 3-5 years in the future have little utility to the average portfolio manager. Horizon Kinetics seeks to identify the resulting long-term pricing anomalies and exploit them to generate returns through our independent, time-tested research process. The Firm's absolute return mindset typically generates concentrated portfolios that do not attempt to track or mimic any index or benchmark.

Horizon Kinetics believes that successful investing requires integrating the qualitative aspects of the social sciences with the logical reasoning and abstraction of mathematics and the physical sciences. Horizon Kinetics seeks companies trading at a discount to our estimate of intrinsic value. Horizon Kinetics' investment research is a key component of its philosophy and process, which is consistent, systemic, and repeatable.

Specifically, the process entails:

- Idea generation – bad/good news, low valuation, corporate restructurings, contrarian view, business model analysis and global and capital structure agnostic;
- Active research – qualitative focus, quantitative value check and written reports;
- Portfolio construction – flexible execution, thematic concentration, co-dependency check, managed self-ordered criticality and cash as a by-product;
- Sell discipline – fundamentals deteriorate, business model changes, investment expectation met, more attractive opportunity identified and margin of safety erodes and
- Risk management and monitoring – functional diversification, reference initial thesis, qualitative progress review and quantitative value check.

Horizon Kinetics is generally focused on low turnover, low transaction, and low friction (avoiding unnecessary trading activity). The Firm manages its separate accounts with an emphasis on current stock price valuations. As such, Horizon Kinetics' strategy accounts are not "model driven" in the sense that we generally do not actively re-balance accounts back to a strategy model. Variance of holdings and weightings of the same holdings among client accounts managed under the same investment strategy can be expected and is generally the result of the timing of security purchases or sales, cash holdings, client restrictions and account inception date. Accordingly, performance dispersion among individual accounts within the same or similar strategies is expected and can be material, particularly over shorter periods of time.

The following summaries describe the primary strategies offered by Horizon Kinetics:

#### **All-Cap**

The All-Cap strategy pursues a bottom-up, value-oriented investment approach emphasizing companies possessing long product lifecycles and insulated business models that are trading at attractive valuations. The strategy may invest across all market capitalization, but tends to concentrate in mid-to-large capitalization companies. The strategy may invest in non-US companies and, on a limited basis, participate in special situation opportunities.

#### **Asia Opportunities**

The Asia Opportunities strategy seeks positive above market long-term returns by investing primarily in a focused portfolio of common stocks of Asian issuers. The strategy does not seek to track or compare itself to any particular equity benchmark. The strategy seeks exposure to faster growing businesses within the developing economies of Asia, and the majority of its exposure has historically been in common or preferred equity or convertible bonds in companies domiciled in Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Singapore, South Korea, Taiwan, Thailand and Vietnam.

#### **Core Value**

The Core Value strategy seeks positive above market long-term returns by investing primarily in a focused portfolio of common stocks of global issuers. The strategy does not seek to track or compare itself to any particular equity benchmark. The strategy seeks to invest in companies that have long product life cycles and insulated business models that are trading below our estimate of intrinsic fair value. Particular focus is on companies that have the ability to generate high and sustainable returns on invested capital, leading to the long-term compounding of book value. The strategy may invest across all market capitalizations, but tends to concentrate on mid-to-large capitalization companies and seeks to avoid short-term investing and significant portfolio turnover.

#### **Global Large Cap Value**

The Global Large Cap Value strategy seeks positive above market long-term returns by investing primarily in a focused portfolio of common stocks with a focus on global issuers. The strategy does not seek to track or compare itself to any particular equity benchmark and seeks undervalued or misunderstood investment opportunities and generally invests in companies for which investors fail to distinguish between permanent and transitory problems. The strategy emphasizes large capitalization companies but may invest across all market capitalizations and seeks to avoid short-term investing and significant portfolio turnover.

#### **High Yield**

The High Yield strategy seeks positive above market long-term returns by investing primarily in a focused portfolio of high yielding investments. The strategy does not seek to track or compare itself to any particular fixed income benchmark. The strategy seeks to capitalize on Horizon Kinetics' extensive research capabilities by investing in all aspects of a company's capital structure to seek equity-like returns. The strategy focuses on investments in distressed corporate debt, preferred stock and convertible bonds.

#### **Large Cap**

The Large Cap strategy seeks positive above market long-term returns by investing primarily in a focused portfolio of common stocks of global issuers. The strategy does not seek to track or compare itself to any particular equity benchmark. The strategy seeks to invest in companies that have long product life cycles and insulated business models, trading below intrinsic fair value. Particular focus is on larger capitalization companies that have the ability to generate high and sustainable returns on invested capital, leading to a long-term compounding of book value. The strategy seeks to avoid short-term investing and significant portfolio turnover.

#### **Research Select**

The Research Select strategy seeks positive above market long-term returns by investing primarily in a focused portfolio of common stocks of global issuers not limited by market capitalization or industry. The strategy does not seek to track or compare itself to any particular equity benchmark. The strategy seeks to capitalize on Horizon Kinetics' extensive research capabilities, by utilizing a wide variety of investments often structurally overlooked by conventional analysis. Particular focus is on catalyst-driven and event-driven opportunities, distressed securities, hidden assets and companies undergoing restructurings. The strategy seeks to avoid short-term investing and significant portfolio turnover.



### **Small Cap**

The Small Cap strategy seeks positive above market long-term returns by investing primarily in a focused portfolio of common stocks of global issuers. The strategy does not seek to track or compare itself to any particular equity benchmark. The strategy invests in small companies that possess the ability to generate high, sustainable returns on invested capital. Generally, Horizon Kinetics invests in such companies when they are trading at a discount to Horizon Kinetics' estimates of their intrinsic fair value. Particular focus is on smaller capitalization companies that have the ability to generate high and sustainable returns on invested capital, leading to a long-term compounding of book value. The strategy seeks to avoid short-term investing and significant portfolio turnover.

### **Spin-Off**

The Spin-Off strategy seeks positive above market long-term returns by investing primarily in a focused portfolio of common stocks of global issuers not limited by market capitalization or industry. The strategy does not seek to track or compare itself to any particular equity benchmark. The strategy seeks to capitalize on Horizon Kinetics' extensive research to identify inefficiencies in pricing of companies that are at a transitory point in their business cycle. Particular focus is on spin-offs, carve-outs and other forms of corporate restructurings. The strategy seeks to avoid short-term investing and significant portfolio turnover.

### **Strategic Value**

The Strategic Value strategy seeks positive above market long-term returns by investing primarily in a focused portfolio of common stocks of global issuers not limited by market capitalization or industry. The strategy does not seek to track or compare itself to any particular equity benchmark. Successful long-term value investing is achieved through the identification of companies that have the ability to generate high and sustainable returns on invested capital. In such a scenario, patience is required and rewarded when the phenomenon of a compounding book value translates into stock price appreciation over time. The strategy seeks to avoid short-term investing and significant portfolio turnover.

## **Research Reports**

The Firm believes that writing research is a key component of our investment philosophy and process. Accordingly, the Firm authors a number of research reports:

### **The Contrarian Research Report** (established April 1995)

Describes out-of-favor, turnaround, restructuring or distressed situations with sufficiently discounted valuations as to provide an asymmetrically favorable risk/return profile.

### **The Fixed Income Contrarian Report** (established October 2000)

Seeks to identify convertible or debt securities with an asymmetric return profile - those that provide an equity level return in the positive case, but with limited expected risk of loss in the negative case, as well as selected arbitrage opportunities.

### **The Devil's Advocate Report** (established August 2000)

Provides short-sale recommendations on highly-visible, large-capitalization, widely-held stocks.

### **The Spin-Off Report** (established February 1996, written in conjunction with the Firm's research distributor)

Provides in-depth, fundamental analysis of all domestic tax-free spin-offs. These securities generally result from large companies divesting small subsidiaries in a way that bypasses traditional Wall Street coverage, often resulting in discounted valuations.

### **The European Contrarian Research Report** (established April 2008)

Seeks to identify companies primarily in Europe with earnings dependent upon their local economies, rather than the U.S. market, as these types of companies offer genuine international diversification.

The European Spin-Off & Restructuring Report (formerly the Global Spin Off Report established March 2010)

Provides in-depth fundamental analysis of international, tax-free spin-offs. These securities generally result from large companies divesting small subsidiaries in a way that bypasses traditional Wall Street coverage, often resulting in systematically discounted valuations.

The Stahl Report (established March 2004)

Recommends undervalued or misunderstood opportunities in large-capitalization equities for which it is likely that asymmetrically attractive risk/reward outcomes can be realized.

**Item 9    Disciplinary Information**

There are no legal or disciplinary events to report.

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

### **Broker-Dealer Registration Status**

Certain persons of the Firm are registered with FINRA through the Firm's affiliated broker-dealers, KBD and KFD. KBD and KFD are broker-dealers registered with the SEC and are members of FINRA and are wholly owned subsidiaries of the Parent Company. The broker-dealers do not accept client money, maintain custody of client assets, execute trades, provide clearing services or engage in proprietary trading.

KBD serves to support the promotion and sales by wholesalers of the investment products managed by the Firm. KFD serves as the principal underwriter and distributor to KMF. KFD is also classified as the broker of record for investors that subscribe to KMF directly and do not invest through a financial intermediary. As such, KFD may receive sales charges, distribution fees, service fees and other types of payments from KMFs, as may be applicable based on the terms of KMF's prospectuses.

### **Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Adviser Registration Status**

Neither Horizon Kinetics nor any of its management persons are registered as a futures commission merchant commodity pool operator, or commodity trading adviser.

### **Material Advisory Relationships**

The Firm and the Firm's management persons have relationships or arrangements that may be material to the Firm's advisory business or to investors in the products managed by the Firm. This includes relationships with broker-dealers, investment advisers, pooled investment vehicles, and investment companies. Specifically, the Firm or its management persons have relationships with the following entities:

- Kinetics Funds Distributor LLC ("KFD"), an affiliated SEC-registered broker-dealer and member of FINRA that serves as the principal underwriter and distributor for KMF.
- Kinetics Mutual Funds, Inc. ("KMF"), a series of U.S. investment companies registered with the SEC that are managed by the Firm.
- The Renn Fund, Inc., a closed-end investment company registered with the SEC that is managed by the Firm.
- KBD Securities, LLC ("KBD"), an affiliated SEC-registered broker-dealer and member of FINRA that serves to support the promotion and sales by wholesalers of the investment products managed by the Firm, which include KMFs, separately managed accounts, and private funds.
- MSRH, LLC, an affiliated exempt reporting adviser that is owned, in part, by Murray Stahl, the Chairman and Chief Investment Officer of Horizon Kinetics LLC, and which serves as investment manager and general partner for two U.S. private funds.
- FRMO Corp., a publicly-traded corporation that is partially owned and controlled by certain management persons of the Parent Company and which generates revenue from a percentage of earnings from the Firm.
- The Minneapolis Grain Exchange ("MGEX") offers futures and options trading on five agricultural index products. Murray Stahl, the Chairman and Chief Investment Officer of Horizon Kinetics LLC, was elected as Chairman of the MGEX Board of Directors in 2018.

- The Bermuda Stock Exchange (“BSX”) is an electronic securities market for international and domestic issuers of equity, debt, depository receipts, insurance securitization and derivative warrants. Murray Stahl was elected to BSX’s Board of Directors in April 2014.
- Murray Stahl is also a Director of IL&FS Securities Services Limited, a company based in India engaged in infrastructure financing and development.
- Murray Stahl is also a Director of Winland Holdings Corporation (“WELX”), a publicly traded company.

Additionally, from time to time, Horizon Kinetics enters into arrangements with affiliated and unaffiliated third parties, including KBD, who refer business to the Firm. Horizon Kinetics may pay cash compensation to these third parties, where such compensation is based on a specified percentage of the investment management fees received by Horizon Kinetics from accounts obtained through the third party. Such third parties generally include marketers, broker-dealers and consultants. Persons who become clients of Horizon Kinetics through these arrangements do not pay an additional fee because of Horizon Kinetics’ agreement with the third party. Any such arrangements will comply with Rule 206(4)-3 of the Advisers Act.

### **Material Conflicts of Interest Relating to Other Investment Advisers**

The Firm seeks to mitigate material conflicts of interest that are created as a result of the Firm’s relationship with its affiliated and non-affiliated business partners. One such potential conflict of interest arises out of the Firm’s management of certain products that do not charge performance fees as well as certain products that do charge performance fees. Accordingly, there may be an incentive to favor accounts for which the Firm charges performance fees; however, the Firm employs strict compliance policies and procedures designed to ensure all accounts are treated fairly, and that no account is favored over another. The Firm’s CCO or his designee reviews trade allocations on a periodic basis to ensure the Firm’s Trade Policy is followed. Only certain sophisticated clients that meet minimum net worth and financial standards are permitted to invest in products that charge performance fees. Performance fee-based products also employ more complex investment strategies that may not be appropriate for all investors.

Additionally, Horizon Kinetics provides companies with research through a written agreement.

Horizon Kinetics and/or its related entities serve as the General Partner and/or Investment Manager of the Private Funds. The Private Funds are available to clients of the Firm or other such prospective clients with whom Horizon Kinetics has a substantial pre-existing relationship and who are accredited investors as well as qualified purchasers or qualified clients.

In limited circumstances, Horizon Kinetics provides model portfolios to various third-party financial institutions (each a “Model Sponsor”) who in turn utilizes such information in their own investment programs. Where a particular Model Sponsor’s procedures allow Horizon Kinetics to manage the trade rotation, so as to avoid multiple sponsors competing in the market for shares at the same time, then the order in which they participate will follow the random process utilized for other sponsor platforms. Where a Model Sponsor’s procedures limit our ability to manage the trade rotation, the Model Sponsor will participate at the end of the trade rotation.

Conflicts may exist to the extent that Horizon Kinetics recommends securities to its affiliates for purchase or sale which are also securities being purchased or sold by Horizon Kinetics for its clients. Additionally, there may be a conflict of interest in the allocation of investment opportunities between the various performance fee products and non-performance fee products managed by the Firm. To mitigate such conflicts of interest or potential conflicts of interest, Horizon Kinetics has established policies and procedures, such as the Code and Trade Policy, which are reasonably designed to monitor, detect and prevent such conflicts of interest. Certain affiliates or employees of the Firm may have a position in securities that have been or are being purchased by the Firm. The CCO monitors the trading of Horizon Kinetics and its affiliated entities, to ensure adherence to the Code and the Trade Policy.

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

### **Code of Ethics**

The Firm has adopted a written Code of Ethics (the “Code”), which adheres to the requirements under Rule 204A-1 of the Investment Company Act and which applies to each supervised person (defined in the Code as an “Access Person”) of the Firm. The Code requires that Access Persons of the Firm behave with the highest standards of business conduct and that they abide by the provisions of the Advisers Act and other applicable laws and regulations as well as their fiduciary duty to the Firm’s clients. The Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, disclosure of conflicts or potential conflicts of interest, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All employees at Horizon Kinetics must acknowledge the terms of the Code annually and as amended. Sanctions may apply to any employee who breaches the provisions of the Code, including: verbal admonishment, written warning, written memorandum to the employee’s personnel file, fines and/or reversals of the transaction in question with profits donated to charity, partial or full restriction on personal trading for a set period of time, and/or suspension or termination of employment. You may obtain a copy of the Firm’s Code upon request using the contact information on the cover of this Brochure.

Access Persons of the Firm are allowed to trade securities, some of which may be purchased in client accounts creating a potential conflict of interest. An Access Person of the Firm that seeks to purchase or sell a security for their personal account, or for an account over which they have investment discretion must obtain pre-clearance from the Firm’s CCO or his designee prior to executing the trade. In general, employees seeking to trade in securities that are being transacted in client accounts are limited in the amount of shares they may trade, based on the Firm’s Code of Ethics. Authorizations by the CCO or his designee remain effective only for the day on which approval was granted. Under the Code, certain types of securities transactions have been designated as exempt from pre-clearance.

Employee trading is continually monitored in order to ensure compliance with the Firm’s Code and applicable federal securities laws, as well as to reasonably prevent conflicts of interest between the Firm and its clients. For certain accounts, including but not limited to accounts in where an employee has investment discretion, accounts held in the name of an employee’s spouse, and corporate accounts in which the employee owns greater than 10%, employees must attest to their trading activity quarterly, and, on an annual basis must certify compliance with the Code, disclose any conflicts or potential conflicts, and attest to a list of their personal brokerage accounts and holdings. The Firm also has a written statement of policy and procedures relating to the prevention of misuse of material, non-public information as required by Section 204A of the Adviser’s Act.

### **Participation or Interest in Client Transactions**

If an Access Person (as defined in the Code) acquires material non-public information as a result of a special or confidential relationship with a client or others, the Code requires that he or she shall not communicate the information (other than within the relationship) or otherwise take investment action on the basis of such information. If an Access Person is not in a special or confidential relationship with a client or others, he or she shall not communicate or act on material, non-public information if he or she knows, or should have known, that such information that was disclosed to him or her would result in a breach of duty or misappropriation of information. Any Access Person who receives information that is known or reasonably known to be material, non-public information must communicate that information to the Firm’s CCO without otherwise discussing the information with his or her co-workers. The Access Person is then required to refrain from trading on the information or from discussing the information inside or outside the Firm until the CCO decides the information either is not material or has been made public.

Horizon Kinetics anticipates that, in appropriate circumstances, consistent with clients’ investment objectives, it may cause accounts managed by Horizon Kinetics, and/or may recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Horizon Kinetics, its affiliates and/or clients, directly or indirectly, have a position of interest. Additionally, officers, directors and employees of Horizon Kinetics may trade for their own accounts in securities which are recommended to and/or purchased for Horizon Kinetics’ clients.

Horizon Kinetics' Code is designed to assure that the personal securities transactions, activities and interests of the employees of the Parent Company will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

The Firm's CCO has the general duty of administration and implementation of the Firm's Code. The CCO is responsible for the maintenance of records relating to the Firm's Code and shall maintain records of employee transactions to facilitate comparison between such records and records of the Firm's client transactions as are necessary to determine whether there may have been conflicting transactions. Horizon Kinetics' clients or prospective clients may request a copy of the Firm's Code of Ethics by contacting Horizon Kinetics' CCO using the contact information located on the cover page of this Brochure.

## **Item 12 Brokerage Practices**

### **Brokerage Discretion**

The brokerage for separate account clients can be either “directed” or “free to trade” depending on the manner in which the account is established and the parameters, if any, of the financial intermediary responsible for establishing the account (e.g., a platform sponsor). “Directed” brokerage refers to the practice whereby clients instruct Horizon Kinetics to execute through specific broker-dealers. An account is “free to trade” when Horizon Kinetics has discretion as to the broker-dealer through which to execute transactions. Unless otherwise specifically indicated, Horizon Kinetics regards accounts as having “directed” brokerage such that the Firm will only execute trades through the custodian for the account. In certain instances, the Firm may be required to “trade away” and execute directed trades through the non-account custodian if the custodian is unable to process trades in a particular security. When this occurs, the Firm memorializes details related to the transaction, including the reason for transacting away.

Brokerage transactions for separate accounts established through an intermediary with bundled (or wrap) fee arrangements generally are “directed” to the program sponsor. This is due to the all-inclusive fee structure of the product. Accordingly, Horizon Kinetics’ brokerage discretion is limited; trades executed with the program sponsor include such commissions in the Client’s bundled fee arrangement with that sponsor. Horizon Kinetics may trade away from the program sponsor when the sponsor does not have the capability to effect transactions in a particular security or when otherwise consistent with best execution. Commissions and other expenses incurred in connection with any transactions executed away from the program sponsor are paid by the client. However, these costs are always considered in the determination to trade away from the program sponsor, and Horizon Kinetics will negotiate commissions to effect these transactions taking into account its duty to achieve best execution for its clients.

### **Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions**

For separate accounts established directly with the Firm, Horizon Kinetics generally retains brokerage discretion. It is both the policy and fiduciary duty of the Firm to seek best execution with respect to each transaction, other than directed brokerage arrangements, defined as those in which a client directs the Firm to utilize a specific broker. In purchasing and selling portfolio securities for discretionary client accounts, the Firm will seek to obtain execution at the most favorable net prices (on an overall basis) through its list of approved brokers and dealers. The Firm may aggregate purchase or sale orders for clients, as the Firm may be able to obtain lower commission costs on a per-share and per-dollar basis, because large orders tend to have lower execution costs. In general, the Firm will allocate securities under aggregate orders on a pro-rata basis at the average execution price, unless the Firm determines that a different method of allocation, whether by reason of average price considerations, similar securities in the same amounts, available capital, or other factors, suggest a more equitable method of allocation. Cost is only one factor in assessing best execution. The Firm also looks at the size and difficulty of the order, the reliability, integrity, financial condition and general execution and operational capabilities of the broker/dealer, the broker-dealers’ expertise in particular markets, as well as other matters relevant to the selection of a broker or dealer for a client account. Accordingly, transactions may not always be executed at the lowest available price or commission. On a quarterly basis, Horizon Kinetics’ Brokerage and Pricing Committee (the “Brokerage Committee”) evaluates, among other things, the performance of the executing brokerage firms, with the assistance of third-party execution evaluation firms for best execution.

### **Directed Brokerage**

Although the Firm does not recommend, request, or require clients to engage in directed brokerage transactions, some clients may request or require that Horizon Kinetics direct brokerage to particular broker-dealers. Clients that request or require directed brokerage arrangements are encouraged to make such designations subject to the principles of best execution. Commissions and other expenses incurred in connection with any transactions executed away from the program sponsor are paid by the client. These arrangements differ from those in which trades are “directed” to the program sponsor.



Specifying or restricting broker-dealers may be inconsistent with obtaining best overall execution for a client transaction. Clients are further advised that such directed brokerage transactions may not necessarily result in the best execution possible and may incur higher brokerage costs. Where a client directs or restricts the use of a particular broker-dealer, or broker-dealers, Horizon Kinetics may not be in a position where it can negotiate commissions or obtain volume discounts, and, therefore, the best price may not be achieved, and/or such transactions may result in higher commission costs to the client, which may negatively affect that client's account performance. In addition, clients who direct Horizon Kinetics to use a particular broker-dealer or restrict Horizon Kinetics from using a particular broker-dealer may be prevented from participating in allocations of certain limited-availability securities. Moreover, if a request for a directed brokerage transaction is made with respect to an account subject to ERISA, ERISA requirements must be met in order for the Firm to accept such direction, including a representation that such directed brokerage transaction is in the sole interest and benefit of the ERISA plan itself.

The Firm's Brokerage Committee periodically evaluates the execution quality and commission rates, among other factors, for each broker and dealer utilized by the Firm. The Brokerage Committee also utilizes reports by independent vendors, which compares the Firm's trading to that of its peers.

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

Horizon Kinetics does not engage in soft-dollar arrangements.

#### **Brokerage for Client Referrals**

The Firm does not select or recommend brokers based on referrals of clients from such broker-dealers or other third parties associated with the broker-dealer.

#### **Agency Cross Transactions**

The Firm may engage in agency cross transactions whereby a security is sold from one account advised by Horizon Kinetics and bought for another account managed by the Firm. This may be done, for example, to prevent potential harm that may result in selling a potentially illiquid security into a disorderly market. Horizon Kinetics will effect such transactions only when it deems such transaction to be in the best interests of both client accounts, in accordance with applicable laws (including Section 206 of the Advisers Act and Rule 17a-7 under the Investment Company Act), and consistent with policies and procedures adopted by Horizon Kinetics or its clients, including mutual funds and private funds, advised or sub-advised by Horizon Kinetics.

#### **Principal Transactions**

To the extent the Firm engages in principal transactions, it will do so in accordance with Section 206(3) of the Advisers Act.

#### **Order Aggregation; Trade Allocation**

Horizon Kinetics' Trade Policy outlines, among other things, when and if an order is aggregated across custodian relationships and how partially filled orders are allocated. Horizon Kinetics will generally allocate partially filled orders on a pro-rata basis at the average execution price, unless Horizon Kinetics determines that a different method of allocation is more appropriate, whether by, among other things, reason of average pricing considerations, similar securities in the same accounts, available capital, estimated cost to clients, or liquidity. Horizon Kinetics utilizes a trade rotation methodology for sequencing the execution of trades for a given security that will occur across multiple custodians/brokers. Investment company and private funds, along with custom, non-directed and institutional accounts will generally be included in this rotation schedule. An automated randomizer function is applied to ensure the objectivity of any such trades and to ensure that all accounts are treated fairly with respect to the allocation of investment opportunities. Horizon Kinetics, in limited instances, may utilize other methodologies for allocating investment opportunities, provided they ensure fair and equitable treatment over time. Horizon Kinetics' trade rotation may have the effect of producing a variance in the execution prices of the same security on the same day. Additionally, certain portfolio managers manage performance fee accounts alongside accounts that do not pay a performance fee. Since there are different fee structures, the potential exists to favor a performance

fee account over non-performance fee accounts. However, favoring one Client over another would be inconsistent with Horizon Kinetics' fiduciary duty to its clients. Accordingly, Horizon Kinetics' Trade Policy is designed to ensure that no client is favored over another.

#### **Conflicts of Interest Created by Contemporaneous Trading**

At times, Horizon Kinetics recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that the Firm buys or sells the same securities for itself or for an account related to the Firm. Horizon Kinetics recognizes this potential conflict or appearance thereof and has instituted policies and procedures to mitigate such conflicts. There is an inherent conflict of interest between our fiduciary duty of best execution for our clients and the apparent self-interest of trading in the same securities in employee accounts and/or Horizon Kinetics' proprietary trading accounts. Horizon Kinetics' Code and Trade Policy is designed to detect and prevent such conflicts.

**Item 13    Review of Accounts**

The Firm provides investment services that it believes are considered prudent and appropriate based on the nature of the accounts and the Firm's understanding of the client's written investment strategy and criteria. Client accounts are reviewed periodically, taking into account relevant fundamental data pertaining to each of the holdings, as well as the appropriateness of the current asset allocation. Company events, such as earnings reports, management changes, or other important corporate announcements, may trigger a review of a particular holding. Exogenous events, such as fund liquidations or subscriptions and a change in market conditions may also prompt an account review. Such reviews will be conducted, either jointly or individually, by the portfolio manager(s) and may be performed daily, weekly, or monthly as portfolio managers deem appropriate or as otherwise required. All reviews will be governed by normal professional standards with regard to security selection and asset allocation, with particular emphasis upon the stated goals and objectives in each of the accounts' Prospectus, SAI, offering memorandum or investment advisory agreement, as applicable.

**Client Reporting**

The Firm does not send statements to investors. That function is fulfilled by the custodian or brokerage firm selected by the client, or in the case of the private funds managed by the Firm, the fund's administrator. Model delivery and wrap account clients receive statements directly from the sponsor of the program.

The Firm sends clients, prospective clients, and KMF investors who have consented to receive electronic communications, and monthly and/or quarterly newsletters containing commentaries from the Firm's investment team as well as important information about the Firm and its strategies and/or products. Recipients may request to discontinue receiving such information at any time. The Firm may also send investors performance reports from internal systems, proprietary reports or other presentations, upon request

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

From time to time, Horizon Kinetics enters into written arrangements with unaffiliated third parties and affiliated entities (“Solicitors”) for their assistance in referring business to the Firm. Horizon Kinetics may pay cash compensation to such Solicitors in accordance with Rule 206(4)-3 of the Advisers Act. Such compensation varies, but may be equal to a specified percentage of the investment management fees received by Horizon Kinetics from clients obtained through the Solicitor or may be a fixed fee. Such Solicitors generally include marketers, broker-dealers and consultants. Persons who become clients of Horizon Kinetics through these arrangements do not pay an additional fee because of Horizon Kinetics’ agreement with the Solicitor; all fees are paid directly by Horizon Kinetics and the arrangements comply with Rule 206(4)-3 of the Advisers Act.

*Participation in Fidelity Wealth Advisor Solutions®.* Horizon Kinetics participates in certain investment programs, including but not limited to, the Fidelity Wealth Advisor Solutions® program (the “WAS Program”), through which Horizon Kinetics receives referrals from Fidelity Personal and Workplace Advisors LLC (“FPWA”), a registered investment adviser and Fidelity Investments company. Horizon Kinetics is independent and not affiliated with FPWA or any Fidelity Investments company. FPWA does not supervise or control Horizon Kinetics, and FPWA has no responsibility or oversight for Horizon Kinetics’ provision of investment management or other advisory services.

Under the WAS Program, FPWA acts as solicitor for Horizon Kinetics, and Horizon Kinetics pays referral fees to FPWA for each referral received based on Horizon Kinetics’ assets under management attributable to each client referred by FPWA or members of each client’s household. The WAS Program is designed to help investors find an independent investment adviser, and any referral from FPWA to Horizon Kinetics does not constitute a recommendation or endorsements by FPWA of Horizon Kinetics’ particular investment management services or strategies. Specifically, Horizon Kinetics pays the following amounts to FPWA for referrals: for referrals made prior to April 1, 2017, an annual percentage of 0.20% of any and all assets in client accounts; for referrals made after April 1, 2017, the sum of (i) an annual percentage of 0.10% of any and all assets in client accounts where such assets are identified as “fixed income” assets by FPWA and (ii) an annual percentage of 0.25% of all other assets held in client accounts. For referrals made prior to April 1, 2017, these fees are payable for a maximum of seven years. Fees with respect to referrals made after that date are not subject to the seven year limitation. In addition, Horizon Kinetics has agreed to pay FPWA a minimum annual fee amount in connection with its participation in the WAS Program. These referral fees are paid by Horizon Kinetics and not the client.

To receive referrals from the WAS Program, Horizon Kinetics must meet certain minimum participation criteria, but Horizon Kinetics may have been selected for participation in the WAS Program as a result of its other business relationships with FPWA and its affiliates, including Fidelity Brokerage Services, LLC (“FBS”). As a result of its participation in the WAS Program, Horizon Kinetics may have a potential conflict of interest with respect to its decision to use certain affiliates of FPWA, including FBS, for execution, custody and clearing for client accounts, and Horizon Kinetics may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to Horizon Kinetics as part of the WAS Program. Under an agreement with FPWA, Horizon Kinetics has agreed that it will not charge clients more than the standard range of advisory fees disclosed in this Form ADV Part 2A Brochure to cover solicitation fees paid to FPWA as part of the WAS Program.

Pursuant to these arrangements, Horizon Kinetics has agreed not to solicit clients to transfer their brokerage accounts from affiliates of FPWA or establish brokerage accounts at other custodians for referred clients other than when Horizon Kinetics’ fiduciary duties would so require, and Horizon Kinetics has agreed to pay FPWA a one-time fee equal to 0.75% of the assets in a client account that is transferred from FPWA’s affiliates to another custodian; therefore, Horizon Kinetics may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of FPWA. However, participation in the WAS Program does not limit Horizon Kinetics’ duty to select brokers on the basis of best execution.

**Item 15 Custody**

The Firm does not hold client cash or securities; however, regulators may deem the Firm to have custody of client assets by virtue of, among other things, its (or its affiliates') ability to direct the transfer of assets in the private funds. The cash and securities of the private funds are held in custody at a qualified custodian, and clients are sent account statements directly from such custodian on a quarterly or more frequent basis. Certain other (non-securities) assets of the private funds may be maintained in safe deposit boxes with a qualified custodian.

Client are urged to carefully read such account statements. To the extent the Firm sends account statements to Clients, Clients are urged to compare such account statements from the custodian to the statements they may receive from the Firm. The Firm's clients are responsible for determining and maintaining custody arrangements for their accounts.

**Item 16 Investment Discretion**

Horizon Kinetics generally manages accounts on a discretionary basis (e.g., without client consultation regarding the securities that are bought/sold for the account and the quantity of securities to be bought and sold). In certain instances, clients may seek to limit Horizon Kinetics' discretionary authority in making these determinations by imposing investment guidelines, investment restrictions, or account objectives that may otherwise preclude the account from owning certain securities. Horizon Kinetics reserves the right to not accept or to cease managing any account whose client-imposed limitations materially impact the ability of the Firm to manage the account. Additionally, Horizon Kinetics manages a small number of accounts on a non-discretionary basis, whereby the client instructs Horizon Kinetics as to the securities and quantity of securities to be bought and sold within their account.

Prior to accepting authority for the management of client accounts, the Firm requires a written investment advisory agreement between the client and the Firm. A written investment advisory agreement between the client and the Firm is also required for the management of non-discretionary accounts.

**Item 17    Voting Client Securities**

Horizon Kinetics generally is granted the authority to vote proxies. Horizon Kinetics has adopted and implemented policies and procedures that it believes are reasonably designed to ensure that proxies are voted in the best interest of clients. Horizon Kinetics' policy is to vote proxy proposals, amendments, consents or resolutions relating to advisory client securities, including interests in private funds, if any (collectively, "proxies"), in a manner that serves the best interests of the funds and accounts managed by Horizon Kinetics, as determined in its sole discretion, taking into account that one of the key factors Horizon Kinetics considers when determining the desirability of investing in a particular company is the quality and depth of its management. With that in mind, Horizon Kinetics recognizes that a company's management is entrusted with the day-to-day operations of the company, as well as its long-term direction and strategic planning, subject to the oversight of the company's board of directors.

Horizon Kinetics has engaged Institutional Shareholder Services ("ISS"), to facilitate the voting of client proxies. Additionally, ISS provides research on proxy proposals and vote recommendations based on written guidelines. Horizon Kinetics, as a general matter, accepts vote recommendations from ISS, though Horizon Kinetics retains the right to determine the vote on a particular proxy issue. To the extent ISS has a conflict with respect to a particular proposal it will notify Horizon Kinetics so that the Firm can independently determine how to vote. There may be instances, including those in which ISS recommends a vote consistent with management, in which Horizon Kinetics may decide to vote contrary to ISS' recommendation if it is determined to be in the best interests of the clients. The rationale for any such departure will be memorialized in writing by the CCO.

A copy of Horizon Kinetics' Proxy Voting Policy is available upon request. Clients may also contact Horizon Kinetics to receive more information about how the Firm voted proxies on their behalf. To the extent the Firm does not have authority to vote proxies pertaining to its clients' accounts. The client will receive proxy proposals directly from their respective custodians.

**Item 18 Financial Information****Balance Sheet**

The Firm has not attached a balance sheet for its most recent fiscal year because it does not require or solicit prepayment of more than \$1,200.00 in fees per client, six months or more in advance.

**Financial Conditions Likely to Impair Firm's Operations**

The Firm is not aware of any financial conditions that are likely to impair its ability to meet its contractual commitments to its clients.

**Bankruptcy Filings**

The Firm has not been the subject of any bankruptcy petitions at any time in the past ten years, or prior to that period.