



# **APIS CAPITAL ADVISORS, LLC**

## **Form ADV Part 2 Brochure**

This Brochure provides information about the qualifications and business practices of Apis Capital Advisors, LLC. If you have any questions about the contents of this brochure, please contact Apis Capital Advisors, LLC at (203) 409-6307. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Apis Capital Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Apis Capital Advisors, LLC is 131200.

Apis Capital Advisors, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

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The delivery of this Brochure at any time does not imply that the information contained herein is correct as of any time subsequent to the date shown above. The information set forth herein is qualified in its entirety by reference to applicable offering and governing documents. In the event of a conflict between the information set forth in this brochure and the information in the applicable governing and/or offering documents, the governing and/or offering documents shall control.

## **Item 2 Material Changes**

Apis Capital Advisors, LLC (“Apis” or the “Firm”) last filed an annual update to its Form ADV, Part 2A (the “Brochure”) on March 27, 2019. There have been no material changes to report in this Brochure since the last annual update.

Additional information about Apis Capital Advisors, LLC is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with the Firm who are registered, or are required to be registered, as investment adviser representatives of the Firm.



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## Item 4 Advisory Business

### Operational and Organizational Information

Apis, is a Delaware limited liability company that is registered as an investment adviser with the U.S. Securities and Exchange Commission ("SEC"). The Firm provides investment advisory services to the following private investment funds: (i) Apis Capital, LP, a Delaware limited partnership; (ii) Apis Offshore Capital, Ltd., a Cayman Islands exempted company; (iii) Apis Global Deep Value, LP, a Delaware limited partnership; (iv) Apis Deep Value Fund Offshore, Ltd. a Cayman Islands exempted company; and (v) Apis Global Discovery Fund, LP, a Delaware limited partnership (each of the foregoing, a "Fund" and collectively, the "Funds"). The Firm has been in business since March 2004. The Firm was initially registered as an investment adviser with the SEC in April 2004. The Firm remained registered with the SEC, except for certain interim withdrawals in 2004, 2005 and 2007. In March 2012, the Firm transitioned to an exempt reporting adviser filing status with the SEC. In September 2013, the Firm re-applied for registered investment adviser status with the SEC, based on the types of clients it managed. The principal owners of the Firm and their percentage ownership interests are as follows: Mr. Daniel Barker (50%) and Mr. Eric Almeraz (50%).

**Note:** For purposes of this Brochure, "Client" may include pooled investment vehicles (i.e., Funds and other investment vehicles), and investors in any such vehicles (also called "Investors"), as well as other clients of the Firm. The terms Client(s), Fund(s) and Investor(s) may be used interchangeably, as the context may require.

### Advisory Services

The Firm provides investment management services on a discretionary and non-discretionary basis. For example, the Clients operate as pooled investment vehicles and attempt to provide diversification, management expertise and other advantages to their investors. The Firm's advisory services include, among other things, providing advice regarding asset allocation and the selection of investments. The Firm also provides sub-advisory services to UCITS investment funds. These sub-advisory services include, but are not limited to: providing daily positions reports, and sub-fund asset management. The Clients' investment objective is to seek consistent positive absolute returns by taking long and/or short positions in stocks that are undervalued or overvalued compared to their peers, in a range of market capitalizations, with an emphasis on small and mid-capitalization equity securities, on a global basis. The Firm seeks to limit losses by selecting companies that in the Firm's view are trading at a discount to intrinsic value. No assurance can be given, however, that the Clients will achieve their investment objectives, and investment results may vary substantially over time and from period to period.

The Firm does not hold itself out as specializing in a particular type of advisory service. Please review the Firm's investment guidelines, specified below under "Client Investment Guidelines and Parameters."



### **Client Investment Guidelines and Parameters**

As stated above, the Firm provides investment advisory services to Clients primarily investing in globally traded public equity securities. However, the Firm may take long and short positions and trade in a wide variety of securities and financial instruments, domestic and foreign, of all kinds and descriptions, whether publicly traded or privately placed, including, but not limited to, common and preferred stocks, bonds and other debt securities, convertible securities, limited partnership interests, mutual fund shares, options, warrants, commodities, futures, derivatives (including swaps, forward contracts and structured instruments), currencies, monetary instruments and cash and cash equivalents. The Firm also may utilize derivative securities (primarily options).

### **Wrap Fee Programs**

The Firm does not participate in wrap fee programs.

### **Client Regulatory Assets Under Management (“RAUM”)**

As of December 31, 2019, the Firm managed approximately \$221,311,170 of advisory assets, all of which were on a discretionary basis. The SEC has adopted a uniform method for advisers to calculate assets under management for regulatory purposes which it refers to as an adviser’s “regulatory assets under management.” Regulatory assets under management are generally an adviser’s gross assets, i.e., assets under management without deduction for outstanding indebtedness or other accrued but unpaid liabilities. The Firm reports its regulatory assets under management in Item 5 of Part 1 of Form ADV which you can find at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## Item 5 Fees and Compensation

### Generally

All fees are individually negotiated. Circumstances considered when negotiating fees may include, without limitation, customary market rates, specialized guidelines, and other performance or incentive allocation or fee arrangements with the Client. Management fees are calculated based on a percentage of the value of the assets under management (referred to herein as “Management Fees”).

In addition, the Firm may collect incentive allocations and/or fees based on the performance of investments. Please refer to Item 6, below, for a more detailed description of performance or incentive allocations and/or fees and related conflicts of interest.

Relating to the Firm’s sub-advisory relationship with UCITS investment fund; the Firm receives a Management Fee and is compensated for its investment management services through an incentive allocation and/or fee, also known as a performance-based allocation and/or fee. The Firm and the principal investment manager for the fund negotiate the sub-advisory fees the Firm is to receive for providing its services. These sub-advisory fees are set forth in the sub-advisory agreement between the Firm and the principal investment manager.

### Fee Payment Options

Management fees are billed periodically, generally quarterly in advance, as specified in the applicable investment management agreement.

Regarding the Funds, the Firm shall receive Management Fee equal to 0.375% per quarter (approximately 1.5% annually) of each Investor’s share of the relevant Fund’s net asset value, with the exception of Apis Deep Value Fund Offshore, Ltd., Apis Global Deep Value, LP, and Apis Discovery Fund, LP as detailed below.

In consideration for its services to Apis Global Deep Value, LP, the Firm shall receive a Management Fee equal to 0.50% quarterly (approximately 2.0% annually) of each Investor’s share of Apis Global Deep Value, LP’s net asset value. However, the Management Fee received by the Firm with respect to Investors that had invested in Apis Global Deep Value, LP prior to June 1, 2007 will be 0.375% quarterly (approximately 1.5% annually).

In consideration for its services to Apis Deep Value Fund Offshore, Ltd., the Firm shall receive a Management Fee, payable quarterly in advance equal to 0.50% quarterly (approximately 2.0% annually) of each Investor’s share of Apis Deep Value Fund Offshore, Ltd.’s net asset value.

In consideration for its services to Apis Global Discovery Fund, LP, the Firm shall receive a Management Fee, payable quarterly in advance equal to 0.25% quarterly (approximately 1.0% annually) of each Investor’s share of the Apis Global Discovery Fund, LP’s net asset value.

The Firm will reduce the annual Management Fee when investors’ capital account balances are at certain asset thresholds.

**Important Note for all Funds: Greater detail regarding fees and expenses, as well as other important information regarding an investment in any of the Funds is more fully set forth in the Fund Offering Documents and/or Limited Partnership Agreement.**



To the extent the Firm values any securities and/or instruments in a Client's portfolio, it has a conflict of interest in that the Firm will receive higher Management Fees if it gives such securities and/or instruments a higher valuation.

Management Fees shall be payable with respect to any portion of an Investor's investment allocated to any side pocket account.

With respect to any Investor who has withdrawn from the relevant Fund, with the exception of any interests in a side pocket account, the Management Fees shall accrue until, and be paid at, the time of the reallocation of the Investor's investment from the side pocket account.

### **Additional Fees and Expenses**

The Funds shall pay or reimburse the Firm for all organizational and offering expenses of the Funds, including, but not limited to, legal and accounting fees, printing and mailing expenses and government filing fees (including blue sky filing fees).

The Funds shall pay or reimburse the Firm for the following expenses: (A) all expenses incurred in connection with the ongoing offer and sale of interests in a Fund ("Interests"), including, but not limited to, periodic updating and printing of offering memoranda and exhibits and other organizational and offering documents, documentation of performance and the admission of Investors, but excluding marketing expenses; (B) all operating expenses of the Funds such as tax preparation fees, governmental fees and taxes, insurance, administrator fees, communications with Investors, and ongoing legal, accounting, auditing, bookkeeping, consulting and other professional fees and expenses; (C) all Fund trading and investment related costs and expenses (e.g., brokerage commissions, margin interest, expenses related to short sales, custodial fees and clearing and settlement charges) and research related expenses including: travel; airfare; car rental; taxi fare; hotel accommodations and meals; (D) all fees to protect or preserve any investment held by the Funds, as determined in good faith by the Firm; and (E) all fees and other expenses incurred in connection with the investigation, prosecution or defense of any claims by or against the Funds. The Firm, in its sole discretion, may from time to time pay for any of the foregoing Fund expenses or waive the right to reimbursement for any such expenses, as well as terminate any such voluntary payment or waiver of reimbursement.

### **Fees Paid in Advance**

Management Fees are payable quarterly in advance. With respect to the managed accounts, the Firm tailors its advisory services to the individual needs of its managed accounts, subject to the terms of the governing documents of such managed accounts.

### **Termination of Services**

**Apis Capital, LP, and Apis Offshore Capital, Ltd.:** Investors may withdraw a minimum of \$50,000 as of the last day of any month (the "Withdrawal Date"), upon at least 45 days' prior written notice to the Firm, and in such other amounts and at such other times as the Firm may determine in its sole discretion.

**Apis Global Discovery Fund, LP:** Investors may withdraw a minimum of \$50,000 as of the Withdrawal Date upon at least 45 days' prior written notice to the Firm, and in such other amounts and at such other times as the Firm may determine in its sole discretion.



**Apis Global Deep Value, LP, and Apis Deep Value Fund Offshore, Ltd.:** Investors who initially invested on or after June 1, 2007: Investors may withdraw a minimum of \$50,000 as of the Withdrawal Date, upon at least 90 days' prior written notice to the Firm, and in such other amounts and at such other times as the Firm may determine in its sole discretion.

**Investors who invested prior to June 1, 2007:** Each capital contribution by an Investor who invested prior to June 1, 2007 (a "Previous Investor," and including such Previous Investor's capital contributions made before June 1, 2007 as well as contributions made on or after June 1, 2007) is subject to a 12 month hard lock-up period during which such capital may not be withdrawn from the relevant Fund. Subsequent to the lock up period, Investors may withdraw a minimum of \$50,000 as of the Withdrawal Date, upon at least 30 days' prior written notice to the Firm.

**Generally:** Unless the Firm consents, partial withdrawals may not be made if they would reduce an Investor's capital account balance below \$50,000. All withdrawals shall be deemed made prior to the commencement of the following quarter. The Firm believes (but cannot guarantee) that the assets of the relevant Fund will be invested in a manner that would allow the Firm to satisfy withdrawal requests. The relevant Fund has the right to pay cash or in-kind, or a combination of both, to an investor that makes a withdrawal from such Investor's capital account. If the Firm in its discretion permits an Investor to withdraw capital other than on a Withdrawal Date, the Firm may impose an additional administrative fee to cover the legal, accounting, administrative, brokerage, and any other costs and expenses associated with such withdrawal. The Firm may agree to waive any applicable early withdrawal fee for any Investor. In certain cases, certain Investors may have a separately negotiated withdrawal agreement.

#### **Additional Compensation of Supervised Persons**

No supervised person accepts compensation for the sale of securities or other investment products.

- (i) This practice presents a conflict of interest and gives the Firm or its supervised persons an incentive to recommend investment products based on the compensation received, rather than on a particular Client's needs. The Firm endeavors to disclose herein all conflicts of interest which could impair the rendering of unbiased and objective advice. Lower fees for comparable services may be available from other sources. **N/A**
- (ii) All Clients have the option to purchase investment products that the Firm recommends through other brokers or agents that are not affiliated with the Firm and/or not used by the Firm. **N/A**
- (iii) If commissions provide more than 50% of the Firm's revenue or compensation, disclose: **N/A**
- (iv) The Firm does/does not reduce advisory fees to offset the commissions and/or markups that it receives, as follows: **N/A**





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

In addition to the Management Fee, the Firm is compensated for its investment management services through an incentive allocation and/or fee, also known as a performance-based allocation and/or fee ("Performance Fee"). Under this arrangement, a Client will be charged a fee contingent upon the performance within the Client's account. The Performance Fee will be tied to the capital appreciation within the account as evaluated at the end of each calendar year. The Performance Fee will be payable annually, in arrears. The Firm shall also receive the Performance Fee upon any withdrawal by an Investor, whether voluntary or involuntary, and upon dissolution of a Fund. The Performance Fee shall be in addition to the proportionate allocations of income and profits, or losses, to the Firm and/or its affiliates based upon their capital accounts relative to the capital accounts of all Investors. The Performance Fee will be equal to 20% (30% for Apis Global Discovery Fund, LP) of net capital appreciation attained within the Client's account (net of all expenses, including any commissions, etc.). The Performance Fee shall not include any change in the value of a security position held in a side pocket account until such security is reallocated to the capital accounts of participating Clients. The Firm, in its sole discretion, may waive or reduce the Performance Fee with respect to any Investor for any period of time, or agree to modify the Performance Fee for that Investor. The Firm may, in its discretion, reallocate a portion of the Performance Fee to certain Investors.

Generally: In order for the Firm to receive a Performance Fee, the Firm must achieve capital appreciation within the account. The Firm will charge Performance Fees in adherence to a "high water mark," which means that no Performance Fee will be earned unless the performance exceeds the previously achieved "high water mark" where Performance Fees were charged. The "high water mark" will be used in order to prevent a scenario whereby the Firm could receive a Performance Fee merely for recouping prior losses. A full description of the entire fee arrangement will be disclosed to the Client in such Client's investment management agreement or other relevant documents. Fees generally are deducted directly from the Client's account, as specified in the relevant investment management agreement. The Firm's receipt of Performance Fees is intended to align the Firm's interests with those of the Firm's Clients and to provide the Firm with a greater incentive to manage assets well. The nature of the Performance Fee, however, creates a potential conflict of interest among the Firm, its associated persons, and Clients.

Such fees will be structured and charged in a manner consistent with the requirements of applicable law, including the Investment Advisers Act of 1940, as amended ("Advisers Act"), and the Employee Retirement Income Security Act of 1974, as amended. The Performance Fee creates an incentive for the Firm to effect transactions in securities that are riskier or more speculative than would be the case in the absence of such an allocation. Since the Performance Fee is calculated on a basis which includes unrealized appreciation of Client assets, such allocation or fee may be greater than if it were based solely on realized gains. Where any part of the Firm's compensation is based in part on the unrealized appreciation of securities or instruments for which market quotations are not readily available, the Firm shall disclose how such securities or instruments will be valued and the extent to which the valuation will be determined independently. To the extent the Firm values any such securities or instruments, it has a conflict of interest as the Firm will receive higher Performance Fees (and higher Management Fees) if it gives such securities and instruments higher valuations. The Firm does not represent that the amount of the Performance Fees or the manner of calculating the Performance Fees is consistent with other performance-related fees charged by other investment advisers under the same or similar circumstances. The Performance Fees charged by the Firm may be higher or lower than the Performance Fees charged by other investment advisers for the same or similar services.



In addition, in the event that the Firm manages an account from which it collects Performance Fees and also at the same time manages an account from which it does not collect Performance Fees, the Firm has an incentive to favor accounts from which it receives Performance Fees because it will receive a greater profit from the accounts that are charged Performance Fees. Therefore, the Firm has an incentive to allocate investments that are expected to be more profitable to accounts from which it collects Performance Fees, on the one hand, and that are riskier, on the other hand, since in both scenarios, the Firm may receive greater fees if the investment generates a positive return. Notwithstanding the foregoing, the Firm does not favor accounts that pay Performance Fees.



## Item 7 Types of Clients

The Firm's Clients include private investment funds whose investors are individuals and institutions. The minimum investment in each Fund is \$500,000, and the minimum subsequent investment in each Fund is \$50,000. In each case, however, the Firm has discretion to accept lesser amounts. Investors in the Funds must generally be "accredited investors", as defined in Regulation D under the Securities Act of 1933, as amended (the "Securities Act") and "qualified purchasers", as defined in the 1940 Act. As such, the Funds the Firm manages are exempt from registration as investment companies under the 1940 Act through the exemption provided by Section 3(c)(1) of the 1940 Act.

The Firm also provides sub-advisory services to UCITS investment funds.

The Firm, on a non-discretionary basis, provides the investment manager of a UCITS investment fund a daily positions report of their largest long and short positions.

Beginning January 2018, the Firm began acting as the investment manager to Alma Apis Global Long/Short Equity Fund, a sub-fund of the Luxembourg UCITS SICAV, Alma Capital Investment Funds.

The Firm understands it owes a fiduciary duty to each client and therefore serves the interest of clients with a high standard of care and due diligence in accordance with the Firm's policies and procedures.



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

### Methods of Analysis and Investment Strategies

The Firm anticipates that most of assets under management will be invested in publicly traded global equity securities. In carrying out its investment objective, the Firm generally focuses on long and short positions of small- and mid-capitalization companies that have a reasonable expectation of producing above average returns. Long position purchases are typically securities that the Firm believes to be undervalued, with improving business fundamentals, and short position purchases are typically securities with deteriorating fundamentals that the Firm believes to be overvalued. The common characteristics for short selling may include, among other characteristics, a company that is experiencing deteriorating fundamentals, business or market catalysts impacting the company negatively, deteriorating or poor price performance, declining earnings and high valuation relative to expectations in the marketplace. In general, consistent with the Firm's investment philosophy and/or Client mandates, the Firm is not constrained by diversification requirements or any other limitations as to the types of securities, other investment instruments, industries, sectors, countries or asset classes that may be invested.

The Firm's investment strategies may also include options, event- driven investments, private placements and the use of leverage. The Firm's investment philosophy is based upon recognizing and capitalizing on emerging global business trends and stock-specific opportunities ahead of the broader market. The Firm believes that to invest in companies that operate globally, having a global perspective is essential to the discovery, recognition and understanding of the business impact along global supply chains and emerging secular trends, which are often over-looked and misunderstood by local and regional investment research focused on serving local and regional investment and strategies. The Firm's investment program entails substantial risks, and there can be no assurance that its investment objectives will be achieved. The practices of options and derivatives trading, short selling, use of leverage and other investment techniques can, in certain circumstances, maximize the adverse impact to which a Client's investment portfolios may be subject.

### Investment Strategies and Philosophies

**Long Positions:** The Firm takes into consideration and weighs, among other characteristics, an array of stock-specific and economic factors prior to making an investment. In selecting a company as an investment candidate, the Firm will employ a detailed fundamental analysis of the company prior to making an investment. Investments are selected for a variety of reasons, which may include: (i) sustainable competitive advantage; (ii) pricing power; (iii) strong financial track record; (iv) high entry barriers; (v) conservative, shareholder-friendly management; (vi) good balance sheet; (vii) strong or rising returns on capital; (viii) capitalization size and liquidity; (ix) local and global supply chain interdependencies; (x) valuation; and (xi) global vs. local research coverage.

**Macroeconomic Factors:** The Firm will analyze various macro risks across countries, industries and sectors, such as economic change (GDP forecasts, consumption, consumer confidence, overall debt levels, growth, inflation, exchange rates and trade), political events (regulatory, policy changes, tax changes and geopolitical risks/conflicts) and market risks (trade/settlement differences and liquidity). The Firm has a broad and interconnected network of local contacts across global markets to assist in evaluating these risks. This network consists of, but is not limited to, local consultants, analysts, economists, brokers, and company managements. The Firm's primary focus in conducting macroeconomic analysis is not just the absolute levels of such data, but how the data is trending.



**Shorting:** The Firm also intends to sell short individual securities as a means of attempting to reduce risk and increase performance. In similar fashion to taking long positions, the Firm takes into consideration and weighs, among other characteristics, an array of stock-specific and economic factors prior to selling short an individual security. Securities are shorted for a variety of reasons, which may include: (i) significant price competition; (ii) secularly declining industries; (iii) substitutable products; (iv) poor cash generation; (v) fraud or aggressive accounting; (vi) poor management (evasive, incompetent, empire-building, etc.); (vii) excess leverage; (viii) poor or declining returns on capital; and (ix) poor or declining earnings. The Firm believes that by focusing on specific companies that are experiencing any one or more of these elements, the Firm should be able to identify profitable short sale candidates in most market environments.

**Diversification:** Although the strategy and asset allocation utilized by the Firm is primarily centered on publicly traded global equity securities, the Firm will remain flexible in its investment approach in order to place the Clients in the best position to capitalize on opportunities in the financial markets. The Firm may employ other strategies and may take advantage of opportunities in diverse asset classes if they meet the Firm's standards of investment merit. Accordingly and consistent with the Firm's approach, there are no fixed diversification requirements or other limitations as to the types of securities or other instruments, industries, sectors, countries or asset classes that the Clients may be invested in.

**Concentration:** The Firm believes that in order to deliver superior investment results, it may be necessary to concentrate the Clients' portfolios in investments that may produce high absolute returns while at the same time potentially reducing risk to the overall portfolio. Accordingly and consistent with the Firm's approach, there are no fixed diversification or individual security concentration requirements or other limitations as to the types of securities or other instruments, industries, sectors, countries or asset classes that the Clients may be invested in.

**Event-Driven and Special Situation Investments:** The Clients may invest in companies based upon certain situations or events, including (but not limited to) spin-offs, mergers and acquisitions, rights offerings, restructurings and bankruptcies. The Firm believes that many such special situations and events carry a high probability of indiscriminate selling or neglect of valuable assets for reasons other than a lack of investment merits.

Occasionally, the Firm may engage in arbitrage transactions that the Firm believes represent an exceptional risk/reward opportunity. Risk arbitrage opportunities generally arise during corporate mergers, leverage buyouts or takeovers. Frequently, the stock of the company being acquired will trade at a significant discount to the announced deal price. This discount compensates investors for the time value of money and the risk that the transaction may be canceled. If the discount is significantly greater than the Firm's assessment of the underlying risk, the strategy will be implemented. As with options and fixed income securities, the Firm intends to use event-driven investments as a tactical, opportunistic strategy and not as part of the normal investment strategy.

**Options and Other Derivative Securities:** The Firm may utilize derivative securities, primarily options. The Firm may purchase and write put and call options that are traded on national securities exchanges or over-the-counter markets, as well as on electronic communications networks. Options can be used in many ways such as to increase market exposure (i.e., for purposes of leverage), to reduce overall market exposure (i.e., for hedging purposes), to increase the portfolios' current income, or to reduce the cost basis of a new position. The Firm and the Clients may also utilize certain options, such as various types of index or "market basket" options, in an effort to hedge against certain market related risks, as the Firm deems appropriate. The Firm believes that the use of options and other derivatives may help reduce risk and enhance investment performance.



**Fixed Income Securities:** The Firm may invest in fixed income securities (e.g., bonds) as part of the strategic operations of the Clients. The Firm may take advantage of special investment opportunities in the high yield and convertible segments of the fixed income market. The Firm considers these investments equity substitutes, with the expectation of providing both current income and capital appreciation. The Firm may also seek opportunities in government issued fixed-income securities, as deemed appropriate.

**Private Placements:** In addition to investing in publicly traded common equities, the Clients may, in certain cases, invest in privately placed unregistered securities that do not have a readily ascertainable market value or other illiquid securities which may be valued but are not freely transferable (such privately placed and illiquid securities, collectively, “Illiquid Securities”). Investments in Illiquid Securities may be held in a separate side pocket account, at the discretion of the Firm, and only those Investors who are Investors at the time the investment is made may participate in the investment.

**Leverage:** The Firm may increase its use of leverage by various means, which may include: increasing the number and extent of its “long” positions by borrowing (e.g., by purchasing securities on margin) and entering into short sales. Moreover, the amount of any borrowing used to create leverage may also be limited by regulations imposed by the Federal Reserve Board (“FRB”) and by the availability and cost of credit. The Firm does not anticipate that the Clients will incur indebtedness in connection with their operations, other than interest on margin debts or deposits with respect to securities positions.

**Other Investments:** The Firm may also invest some of the Clients’ assets in short-term United States government obligations, certificates of deposit, commercial paper and other money market instruments, including repurchase agreements with respect to such obligations, to enable the Clients to make investments quickly and to serve as collateral with respect to certain investments. If the Firm believes that a defensive position is appropriate because of expected economic or business conditions or the outlook for security prices, or the Firm determines that opportunities for investing are unattractive, then a greater percentage of assets may be invested in such obligations. The Firm may also engage in securities lending activities. From time to time, in the sole discretion of the Firm, cash balances in Clients’ brokerage accounts may be placed in a money market fund.

### **Investment Process Described**

Set forth below are several analyses that the Firm may employ in carrying out its investment strategy.

**Quantitative and Qualitative Screens:** The Firm employs quantitative and qualitative screens to identify potential global long investments and short sale ideas. Quantitative screens are used to focus on and identify valuation, operating trends and technical factors of an underlying security, its industry and competitors. The Firm tends to utilize independent resources for quantitative screens, such as Bloomberg. Qualitative screens are used to identify security-specific opportunities based on sector trends, supply chains, competitors, and geographic anomalies (finding trends in a particular market that will carry over into other markets). The Firm’s primary sources for qualitative screens include: company visits; a network of industry contacts developed through years of experience in the global investment management business; independent industry specialists and consultants; industry conferences; local brokers with a niche expertise; and internal research.

**Identifying Investments:** In general, the Firm conducts proprietary original research to identify and evaluate potential investments. The Firm’s investment ideas may also be generated from a wide variety of sources, including industry contacts, trade and financial publications, trade shows, investment conferences and stock screens. The Firm intends to utilize a fundamental bottom-up investment research process to



analyze companies on an individual basis. The Firm will also consider industry and sector themes utilizing the same process. Company-specific analyses begin with review of public filings and relevant research analyst reports. Particular attention is paid to changing industry structures and the relative competitive positioning of the company being researched relative to the anticipated industry changes. In addition, the Firm's fundamental research will focus on a company's balance sheet, cash position, gross and net working capital, tangible book value, its valuation relative to its growth and to that of its industry, the historical trading patterns of the company's securities, and forecasts and projections for the relevant industry group. In addition to the previously cited fundamental research criteria, stock price valuation will be assessed from a variety of perspectives, including sales and earnings history and outlook, historical and estimated cash flows, historical and projected earnings growth, comparison with competing and related companies and investor expectations.

**Relationship with Portfolio Companies:** Although the Firm does not anticipate taking an active role in the affairs of the companies in which a Client has a position, it will be the Firm's policy to take such steps as are necessary to protect its economic interests. The Firm reserves the option to accept a role on the board of directors of any company in which a Client holds securities, if the opportunity presents itself.

**Portfolio Evaluation:** Once an investment opportunity is determined to be attractive, the Firm will evaluate the effect of adding that investment to the Clients' portfolios. In doing so, the Firm will seek to maximize the impact the investment can have on the Clients' portfolios, given sizing, and to minimize the market- related portfolio volatility, as well as the risk of capital loss.

**Investment and Portfolio Monitoring:** The Firm will monitor the Clients' positions to ensure that the investment thesis behind each is intact. The Firm will also monitor trading prices so that profits can be taken as trading and intrinsic values converge or so that losses can be minimized in the event of a significant shift in an investment's fundamental premise. The Firm will also conduct on- going monitoring of investment positions relative to the aggregate portfolio in order to manage overall portfolio risk.

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

#### **Risks Associated with the Firm's Investment Strategies:**

The following risk factors apply to the Firm, as well as to any other Clients of the Firm (as applicable and as the context may require).

**Investments in Undervalued Securities and Other Assets:** The Firm's investment program contemplates that a substantial portion of the Clients' portfolios will be invested in securities and other assets that the Firm believes to be deeply undervalued. The identification of such investment opportunities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While such investments offer the opportunities for above-average capital appreciation, they also involve a high degree of financial risk and can result in substantial losses. Returns generated from the Firm's investments may not adequately compensate for the business and financial risks assumed. Such investments include bonds and other fixed income securities, including, without limitation, commercial paper and "higher yielding" (and, therefore, higher risk) debt securities. It is likely that a major economic recession could severely disrupt the market for such investments and severely impact their value. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such obligations to repay principal and pay interest thereon and increase the incidence of default for such securities. Additionally, there can be no assurance that other investors will ever come to realize the value of some of these investments, and that they will ever increase in price. Furthermore, the Clients may be





forced to hold such investments for a substantial period of time before realizing their anticipated value. During this period, a portion of the Clients' assets would be committed to the investments made, thus possibly preventing the Firm from investing in other opportunities.

**Small Companies:** The Firm may invest a significant portion of the Clients' assets in small and/or unseasoned companies. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification, and competitive strength of larger companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. When making large sales, the Firm may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the trading volume of smaller company securities.

**Volatility of Currency Prices:** The profitability of the Clients' portfolios depends, in part, upon the Firm correctly assessing the future price movements of currencies. However, price movements of currencies are difficult to predict accurately because they are influenced by, among other things: changing supply and demand relationships; governmental, trade, fiscal, monetary and exchange control programs and policies; national and international political and economic events; and changes in interest rates. Governments from time to time intervene in certain markets in order to influence prices directly. The Firm cannot guarantee that it will be successful in accurately predicting currency price and interest rate movements.

**Risks Associated with Investing in Options and Derivatives:** The Clients assets may invest in derivative instruments. The prices of many derivative instruments, including many options and swaps, are highly volatile. Price movements of options contracts and payments pursuant to swap agreements are influenced by, among other things: interest rates; changing supply and demand relationships; trade, fiscal, monetary and exchange control programs and policies of governments; and national and international political and economic events and policies. The value of options and swap agreements also depends upon the price of the securities or currencies underlying them. The Clients are also subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses or of counterparties. The cost of options is related, in part, to the degree of volatility of the underlying securities. Accordingly, options on highly volatile securities may be more expensive than options on other securities.

Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument on which they are purchased or sold. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, currency or other instrument at the exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument at the exercise price.

If a put or call option purchased by a Client were permitted to expire without being sold or exercised, such Client would lose the entire premium it paid for the option. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying security caused by rising interest rates or other factors. If this occurred, the option could be exercised and the underlying security would then be sold to such Client at a higher price than its current market value. The risk involved in writing a call option is that there could be an increase in the market value of the underlying security caused by declining interest rates or other factors. If this occurred, the option could be exercised and the underlying security would then be sold by such Client at a lower price than its current market value.





Purchasing and writing put and call options and, in particular, writing “uncovered” options are highly specialized activities and entail greater than ordinary investment risks. In particular, the writer of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security or currency above the exercise price of the option. This risk is enhanced if the security being sold short is highly volatile and there is a significant outstanding short interest. These conditions exist in the stocks of many companies. The securities necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing securities to satisfy the exercise of the call option can itself cause the price of the securities to rise further, sometimes by a significant amount, thereby exacerbating the loss. Accordingly, the sale of an uncovered call option by a Client could result in a loss of all or a substantial portion of its assets.

Swaps and certain options and other custom instruments are subject to the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty.

**Market or Interest Rate Risk:** The Firm may, from time to time, invest Clients’ assets in fixed income securities. The prices of most fixed income securities move in the opposite direction of the change in interest rates. For example, as interest rates rise, the prices of fixed income securities fall. If a Client holds a fixed income security to maturity, the change in its price before maturity may have little impact on such Client’s performance; however, if such Client has to sell the fixed income security before the maturity date, an increase in interest rates could result in a loss to such Client.

**Call Option Risk:** Many bonds, including agency, corporate and municipal bonds, and all mortgage-backed securities, contain a provision that allows the issuer to “call” (i.e., redeem) all or part of the issue before the bond’s maturity date. The issuer usually retains this right to refinance the bond in the future if market interest rates decline below the coupon rate. There are three disadvantages to the call provision. First, the cash flow pattern of a callable bond is not known with certainty. Second, because the issuer will call the bonds when interest rates have dropped, the Clients are exposed to reinvestment rate risk – the Clients will have to reinvest the proceeds received when the bond is called at lower interest rates. Finally, the capital appreciation potential of a bond will be reduced because the price of a callable bond may not raise much above the price at which the issuer may call the bond.

**Maturity Risk:** In certain situations, the Clients may purchase bonds of a given maturity as an alternative to other bonds of a different maturity. Ordinarily, under these circumstances, the Clients will make an adjustment to account for the interest rate risk differential in the two bonds. This adjustment, however, makes an assumption about how the interest rates at different maturities will move. To the extent that the yield movements deviate from this assumption, there is a yield-curve or maturity risk. Another situation where yield-curve risk should be considered is in the analysis of bond swap transactions where the potential incremental returns are dependent entirely on the parallel shift assumption for the yield curve.

**Short Selling:** When deemed appropriate by the Firm, it will sell securities short on behalf of the Clients. Short selling involves the sale of securities that the Clients do not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. In order to make delivery to the purchaser, the Clients must borrow securities from a third-party lender. The Clients subsequently return the borrowed securities to the lender by delivering to the lender the securities they receive in the transaction or by purchasing securities in the open market. The Clients must generally pledge cash with the lender equal to the market price of the borrowed securities. This deposit may be increased or decreased in accordance with changes in the market price of the borrowed securities. During the period in which the securities are borrowed, the lender typically retains the right to receive interest and dividends accruing to the securities.



**Risks Associated with Exchange Traded Funds:** Exchange- traded funds (“ETFs”) are, by definition, portfolios of securities. Certain events can trigger sharp and sometimes adverse price movements in ETFs that are not related to movements of the market in general, including, but not limited to, surprise dividends, changes to regular dividend amounts, announcements of rights offerings and possible surprise revisions to net asset values.

**Risks Associated with Leverage:** When the Firm believes that the use of leverage is appropriate in its investment program, the Firm may use borrowed funds and/or investments in certain types of options, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market of those underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent the Firm purchases securities for the Clients with borrowed funds, net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of an account. If the interest expense on borrowings were to exceed the net return on the investments made with borrowed funds, the Firm’s use of leverage would result in a lower rate of return than if leverage were not used.

If the amount of borrowings outstanding for the Clients at any one time is large in relation to the Clients’ capital, fluctuations in the market value of the account will have disproportionately large effects in relation to that capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains made with the additional monies borrowed will generally cause the net asset value of the Clients to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the additional monies borrowed fails to cover their cost to the Clients, the net asset value of the Clients will generally decline faster than would otherwise be the case.

Certain trading and investment activities of the Firm may be subject to U.S. Federal Reserve Board (“FRB”) margin requirements, which are computed daily. When the market value of a particular open position changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a “margin call” on the customer is made. If the customer does not deposit additional funds with the broker to meet the margin call within a reasonable time, the customer’s position may be closed out. In the event of a precipitous drop in the value of the assets managed by the Firm, the Firm might not be able to liquidate assets quickly enough to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices, incurring substantial losses. With respect to the Firm’s trading activities on behalf of the Clients, the Clients, and not the Firm, will be subject to margin calls.

Overall, the use of leverage, while providing the opportunity for a higher return on investments, also increases the volatility of such investments and the risk of loss. Clients should be aware that an investment program utilizing leverage is inherently more speculative, with a greater potential for losses, than a program that does not utilize leverage.

**High Growth Industry Related Risks:** The Firm will have investments in the securities of high growth companies. These securities may be very volatile. In addition, these companies may face undeveloped or limited markets, have limited products, have no proven profit-making history, may operate at a loss or with substantial variations in operating results from period to period, have limited access to capital or be in the developmental stages of their businesses, have limited ability to protect their rights to certain patents, copyrights, trademarks and other trade secrets, or be otherwise adversely affected by the extremely competitive markets in which many of their competitors operate. A company that has had a high growth



rate in the past may trade at a high multiple. If the rate of growth slows the price of the company's stock may suffer a substantial decline.

**Sector Risk; Concentrated Positions:** The Firm is not limited by concentration restrictions and therefore capital may be heavily concentrated in a limited number of investments. As a result of this lack of diversification, the Firm's results may be more volatile than a broadly diversified portfolio and would be subjected to a greater degree of risk with respect to the poor performance of one or a few issuers or with respect to economic downturns. Moreover, to the extent the Firm's investments are concentrated in a limited number of industries, the Firm may be subject to considerable directional risk since the Firm's investments may be highly correlated with one another. The Firm may not hedge against such risks.

**Hedging Transactions:** The Firm may utilize financial instruments such as forward contracts, options and interest rate swaps, caps and floors to seek to hedge against fluctuations in the relative values of its portfolio positions resulting from changes in currency exchange rates, certain changes in the equity markets and changes in interest rates. Hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio positions should increase. Moreover, it may not be possible for the Firm to hedge against a fluctuation at a price sufficient to protect the Firm's assets from the decline in value of the portfolio positions anticipated as a result of such fluctuations. For example, the cost of options is related, in part, to the degree of volatility of the underlying securities. Accordingly options on highly volatile securities may be more expensive than options on other securities and of limited utility in hedging against fluctuations in those securities. The Firm is not obligated to establish hedges for portfolio positions and may choose not to do so. To the extent that hedging transactions are effected, their success is dependent on the Firm's ability to correctly predict movements in the direction of currency and interest rates and the equity markets or sectors thereof.

**New Issues:** The Firm may invest in securities of companies in initial public offerings of any equity security ("new issues") or shortly thereafter. Special risks associated with these securities may include a limited number of interests available for trading, unseasoned trading, lack of investor knowledge of the company, and a limited operating history. These factors may contribute to substantial price volatility for the interests of these companies. The limited number of interests available for trading in some initial public offerings may make it more difficult for the Firm to buy or sell significant amounts of interests without an unfavorable impact on prevailing market prices. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.



## Item 9 Disciplinary Information

This Item requests information relating to legal and disciplinary events in which the Firm or any supervised persons have been involved that are material to Client's or prospective Client's evaluations of the Firm's advisory business or management. There are no reportable material legal or disciplinary events related to the Firm or any of its supervised persons. In the ordinary course of the Firm's business, the Firm, its affiliates and employees have not in the past been subject to any formal or informal regulatory inquiries, subpoenas, investigations, legal or regulatory proceedings involving the SEC, or any other regulatory authorities, including private parties and self-regulatory organizations (SRO).



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

### **Affiliated Broker-Dealers**

The Firm has no existing or pending affiliations with a broker-dealer or a registered representative of a broker-dealer.

### **CFTC – Commodity Pool Operator**

The Funds rely on an exemption from registration under CFTC Rule 4.13(a)(3) with the Commodity Futures Trading Commission (“CFTC”) and therefore the Firm is exempt from registration as a commodity pool operator (“CPO”).

### **Relationship or Arrangements with Affiliates and/or Related Persons**

The Firm and its management persons do not have a relationship or an arrangement that is material to its advisory business or to its Clients with any of the following: (i) broker-dealer, municipal securities dealer, or government securities dealer or broker; (ii) other investment adviser or financial planner; (iii) banking or thrift institution; (iv) accountant or accounting firm; (v) lawyer or law firm; (vi) insurance company or agency; (vii) pension consultant; (viii) real estate broker or dealer; or (ix) sponsor or syndicate of limited partnerships.

Deki Capital GP, LLC, a Delaware limited liability company affiliated with the Firm, serves as the General Partner of the Funds.

Apis serves as the investment adviser to the Funds, each of which is a pooled investment vehicle.

The Firm does not recommend or select other investment advisers for Clients.



## Item 11 Code of Ethics

A copy of the Firm's Code of Ethics is available upon request to Clients or prospective clients.

The Code of Ethics is based upon the premise that all Firm personnel have a fiduciary responsibility to render professional, continuous and unbiased investment advisory services. The Code of Ethics requires all personnel to: (1) comply with all applicable laws and regulations; (2) observe all fiduciary duties and put Client interests ahead of those of the Firm; (3) observe the Firm's personal trading policies so as to avoid "front-running" and other conflicts of interests between the Firm and its Clients; (4) ensure that all personnel have read the Code of Ethics, agreed to adhere to the Code of Ethics, and are aware that a record of all violations of the Code of Ethics will be maintained by the Firm's Chief Compliance Officer, and that personnel who violate the Code of Ethics are subject to sanctions by the Firm, up to and including termination.

**Standards of Conduct:** The Firm and its Employees are expected to comply with all applicable federal and state laws and regulations. Employees are expected to adhere to the highest standards of ethical conduct and maintain confidentiality of all information obtained in the course of their employment and bring any risk issues, violations, or potential violations to the attention of the Chief Compliance Officer. Employees are expected to deal with Clients fairly and disclose any activity that may create an actual or potential conflict of interest between them and the Firm or Client.

**Ethical Business Practices:** Falsification or alteration of records or reports, also known as a prohibited financial practice, or knowingly approving such conduct is prohibited. Political contributions or payments to government officials or employees may not be furnished on behalf of the Firm. The Firm seeks to outperform its competition fairly and honestly and seeks competitive advantages through superior performance not illegal or unethical dealings. Employees are strictly prohibited from participating in online blogging, unapproved communication with the media, and the spreading of false rumors pertaining to any publicly traded company.

**Confidentiality:** Employees must maintain the confidentiality of the Firm's proprietary and confidential information, and must not disclose that information unless the necessary approval is obtained. The Firm has a particular duty and responsibility, as investment adviser, to safeguard Client information. Information concerning the identity and transactions of investors is confidential, and such information will only be disclosed to those Employees and outside parties who may need to know it in order to fulfill their responsibilities.

**Gift and Entertainment Policy:** Employees are permitted, on occasion, to accept gifts and invitations to attend entertainment events. When doing so, however, employees should always act in our best interests and that of our Clients and should avoid any activity that might create an actual or perceived conflict of interest or impropriety in the course of our business relationship.

### Personal Trading

**Personal Trading Policy:** In general, no access person may acquire, directly or indirectly, any beneficial ownership in any "reportable security" without first obtaining the prior written approval of the Chief Compliance Officer or his delegate. Access persons who violate the personal trading policy are reprimanded in accordance with the sanctions provisions outlined in the Code of Ethics. Personal securities transactions are reviewed by the Chief Compliance Officer or his delegate for compliance with the personal trading policy and applicable SEC rules and regulations.



The Firm's principals and employees and certain of their affiliates may from time to time purchase or sell for their own personal accounts financial instruments that are recommended to, or purchased or sold on behalf of Clients' accounts. The Firm's principals and employees may also take investment positions in their personal accounts that are different from, or contrary to, those taken by Client accounts; however, they generally are not permitted to trade ahead of Client accounts. The Firm's principals and employees may frequently engage in the purchase and sale of public and private securities and other financial instruments for their own personal accounts, including financial instruments that are recommended to, owned by or purchased or sold on behalf of Client accounts. The personal trading activities of the Firm's principals, employees and affiliates may raise various actual and potential conflicts of interest. The Firm has implemented various compliance policies and procedures, including personal trading and reporting policies, in an attempt to reduce, mitigate or address any such actual or potential conflicts of interest. For example, as noted above, all access persons generally are required to obtain the prior written consent of the Chief Compliance Officer or his delegate before buying or selling any "reportable security."

Whenever the Chief Compliance Officer determines that one of the Firm's affiliates or employees is in possession of material non-public information regarding an issuer, such issuer may either be placed on a restricted list or a watch list. When a company is placed on a watch list or restricted list, all employees are prohibited from personal trading in securities of those companies.

**Prohibition against Insider Trading:** The Firm forbids any Employee from trading, either personally or on behalf of others, including Clients advised by The Firm, on material non-public information or communicating material non-public information to others in violation of the law or duty owed to another party. This conduct is frequently referred to as "insider trading". The concepts of material non-public information, penalties for insider trading, and processes for identifying insider trading are addressed in detail in the Compliance Manual and Code of Ethics.

**Reporting Requirements:** In compliance SEC rules, Employees and Related Parties are required to disclose all of their personal brokerage accounts and holdings within 10 days of initial employment with the Firm, within 10 days of opening a new account, and annually thereafter. Additionally, the last day of the month following each quarter-end, all Employees and Related Parties must report all transactions in reportable securities over which the Employees and Related Parties had any direct or indirect beneficial ownership. Employees and Related Parties are also required annually to affirm all reportable transactions from the prior year.

**Privacy Policy:** The Firm has adopted a privacy policy that explains the manner, in which the Firm collects, utilizes and maintains nonpublic personal information about Clients. The Firm recognizes and respects the privacy concerns of their potential, current and former Clients. The Firm is committed to safeguarding this information. As a member of the financial services industry, the Firm will provide this Privacy Policy for informational purposes to Clients and employees and will distribute and update it as required by law. The Privacy Policy is also available to upon request.

**Collection of Information and Disclosure of Nonpublic Personal Information:** To provide Clients with effective service, the Firm may collect several types of nonpublic personal information about Clients, including: (i) information from forms that Clients may fill out, such as subscription forms, questionnaires and other information provided by Clients in writing, in person, by telephone, electronically or by any other means. This information includes name, address, nationality, tax identification number, and financial and investment qualifications; (ii) information Clients may give orally; (iii) information about transactions within the Firm, including account balances, investments and withdrawals; (iv) information about the amount





Clients have invested, such as initial investment and any additions to and withdrawals from an investment in the Clients; and (v) information about any bank accounts Clients may use for transfers to or from separately managed accounts (if applicable).

**Disclosure of Nonpublic Personal Information:** The Firm does not sell or rent Client information. The Firm uses this information to conduct business with its Clients: to develop or enhance its products and services; to understand the financial needs of its Clients so that the Firm can provide such Clients with quality products and superior service; and to protect and administer its Clients' records, accounts and funds. The Firm does not disclose nonpublic personal information about its Clients to nonaffiliated third parties or to affiliated entities, except as permitted or required by law. For example, the Firm may share nonpublic personal information in the following situations: (i) to service providers in connection with the administration and servicing of the Firm; this may include attorneys, accountants, auditors and other professionals. The Firm may also share information in connection with the servicing or processing of Client transactions; (ii) to affiliated companies in order to provide Clients with ongoing personal advice and assistance with respect to the products and services Clients have purchased through the Firm and to introduce Clients to other products and services that may be of value to such Clients; (iii) to respond to a subpoena or court order, judicial process or regulatory authorities; (iv) to protect against fraud, unauthorized transactions (such as money laundering), claims or other liabilities; and (v) upon consent of a Client to release such information, including authorization to disclose such information to persons acting in a fiduciary or representative capacity on behalf of the Client.

**Protection of Client Information:** The Firm's policy is to require that all Employees, financial professionals and companies providing services on its behalf keep Client information confidential. The Firm maintains safeguards that comply with federal standards to protect Client information. The Firm restricts access to the personal and account information of Clients to those Employees who need to know that information in the course of their job responsibilities. Third parties with whom the Firm shares Client information must agree to follow appropriate standards of security and confidentiality. The Firm's privacy policy applies to both current and former Clients. The Firm may disclose nonpublic personal information about a former Client to the same extent as for a current Client.

**Changes to Privacy Policy:** The Firm may make changes to its privacy policy in the future. The Firm will not make any change affecting any Client without first sending to that Client a revised privacy policy describing the change.

### **Potential Conflicts**

The Firm, its affiliates and their respective officers, directors, trustees, stockholders, members, partners and employees and their respective funds and investment accounts (collectively, the "Related Persons") engage in a broad range of activities, including activities for their own account and for the accounts of Clients. This section describes various potential conflicts that may arise in respect of the Related Parties, as well as how we address such conflicts of interest. The discussion below does not describe all conflicts that may arise.

Any of the foregoing potential conflicts of interest will be discussed and resolved on a case by case basis. Our determination as to which factors are relevant, and the resolution of such conflicts, will be made using our best judgment, but in our sole discretion. In resolving conflicts, we will take into consideration the interests of the relevant clients, the circumstances giving rise to the conflict and applicable laws. Certain procedures for resolving specific conflicts of interest are set forth below.





## **Allocation of Investment Opportunities**

The Firm acts as investment adviser to Clients that have similar investment objectives and pursue similar strategies. Certain investments identified by the Firm may be appropriate for multiple Clients. Investment decisions for such Clients are made by the Firm in their best judgment, but in their discretion, taking into account such factors as they believe relevant. Such factors may include investment objectives, regulatory restrictions, current holdings, availability of cash for investment, the size of investments generally, and limitations and restrictions on a Client's Account that are imposed by such client. A particular investment may be bought or sold for only one Client or in different amounts and at different times for more than one but less than all Clients, even though it could have been bought or sold for other Clients at the same time. Likewise, a particular investment may be bought for one or more Clients when one or more other Clients are selling the investment. In addition, purchases or sales of the same investment may be made for two or more Clients on the same date. There can be no assurance that a Client will not receive less (or more) of a certain investment than it would otherwise receive if the applicable Related Advisors did not have a conflict of interest among clients.

In effecting transactions, it is not always possible, or consistent with the investment objectives of the Firms' various clients, to take or liquidate the same investment positions at the same time or at the same prices. Certain investment restrictions may limit the Firms' ability to act for a client and may reduce performance. Regulatory and legal restrictions (including restrictions on aggregated positions) may also restrict the investment activities of the Firm and result in reduced performance.

The Firm seeks to manage and/or mitigate these potential conflicts of interest described by following procedures with respect to the allocation of investment opportunities their clients, including the allocation of limited investment opportunities. Our allocation policy is based on a fundamental desire to treat each Client Account fairly over time.

It is the Firms policy to allocate investments among the accounts of its Clients in a manner which it believes to be fair and equitable. Allocations of investment opportunities should not be based on any of the following, or similar, reasons: (i) to generate higher fees paid by one account over another, or to produce greater fees to the Firm; (ii) to develop a relationship with a Client or prospective Client; or (iii) to compensate a Client for past services or benefits rendered to the Company or any Employee of the Firm or to induce future services or benefits to be rendered to the Firm or any Employee of the Firm.

The Firm's policy, where an opportunity to purchase or sell an investment is appropriate for more than one Client, is to aggregate Client orders when doing so is likely to result in a better overall price or reduced cost for the Client trade. Consistent with its fiduciary duties, the Firm allocates trades to its Clients on an equitable basis as set forth in this policy. Each Client who participates in an aggregated order participates at the average price with all transaction costs shared on a pro rata basis pursuant to these written procedures.

In determining how an investment opportunity is allocated, the Firm may take into account the following considerations: (i) the size, nature and type of investment or sale opportunity; (ii) the investment guidelines and restrictions of the Client; (iii) regulatory and contractual requirements; (iv) pre-determined tactical plan of a Client or Clients and corresponding capital commitments; (v) the cash position of the Client; (vi) liquidity needs/constraints of the Client; (vii) asset/liability management; (viii) minimum trade denominations; (ix) a determination by the portfolio manager



that the investment or sale opportunity is inappropriate, in whole or in part, for one or more of the Clients; (x) restrictions under ERISA or other applicable regulations; (xi) tax issues; (xii) the size of a Client's account; (xiii) client risk tolerance; and (xiv) such other factors as the portfolio manager deems relevant.

If all investment orders placed for Client accounts cannot be fully executed under prevailing market conditions, then the securities traded should be allocated among Client accounts a manner the Firm deems to be equitable, taking into account the size of the order placed for each account and any other relevant factors.

Client directed or other restrictions may affect the allocation of an order. If a client directed restriction is placed on a particular security or group of securities the order will be allocated to the other participating accounts as described above.

The Firm formulates written allocation plans in the form of order memoranda based on the investment guidelines, current exposure levels of each Client and other factors set forth above across the various Client accounts including any ERISA Accounts. When a new investment is being made, the Firm allocates investment opportunities among those Clients based upon the percentages determined by the plan.

### **Position Conflicts**

Another type of conflict may arise if we cause one Client account of the Firm to buy a security and another client account to sell or short the same security. Currently, such opposing positions are not permitted within the same account or within any accounts managed by the same portfolio manager without prior trade approval by the Chief Compliance Officer. In addition, transactions in investments by one or more affiliated client accounts may have the effect of diluting or otherwise disadvantaging the values, prices or investment strategies of other client accounts.

Generally, the Firm does not purchase, sell or hold securities on behalf of Clients contrary to the current recommendations made to other affiliated Client accounts. However, because certain Client accounts may have investment objectives, strategies or legal, contractual, tax or other requirements that differ (such as the need to take tax losses, realize profits, raise cash, diversification, etc.), the Firm may purchase, sell or continue to hold securities for certain client accounts contrary to other recommendations. In addition, the Firm may be permitted to sell securities or instruments short for certain Client accounts and may not be permitted to do so for other affiliated Client accounts.

### **Cross Trading**

In an effort to reduce transaction costs, increase execution efficiency, and capitalize on timing opportunities, we may execute cross trades, or sell a security for one affiliated client to another affiliated client, without interposing a broker-dealer. All cross trades are subject to the cross trade procedures set forth in our Compliance Manual. Cross trades, however, may present an inherent conflict of interest because we and/or our affiliates represent the interest of the buyer and seller in the same transaction. As a result, clients involved in a cross trade bear the risk that the price obtained from a cross trade may be less favorable than if the trade had been executed in the open market.



## **Trade Aggregation**

In some circumstances, the Firm may seek to buy or sell the same securities contemporaneously for multiple Client accounts. The Firm may, in appropriate circumstances aggregate securities trades for a Client with similar trades for other Clients, but are not required to do so. In particular, the Firm may determine not to aggregate transactions that relate to portfolio management decisions that are made independently for different accounts or if the Firm determines that aggregation is not practicable, not required or inconsistent with Client direction. When transactions are aggregated and it is not possible, due to prevailing trading activity or otherwise, to receive the same price or execution on the entire volume of securities purchased or sold, the various prices may be averaged or allocated on another basis deemed to be fair and equitable. In addition, under certain circumstances, the Clients will not be charged the same commission or commission equivalent rates in connection with a bunched or aggregated order. The effect of the aggregation may therefore, on some occasions, either advantage or disadvantage any particular client.

From time to time, aggregation may not be possible because a security is thinly traded or otherwise not able to be aggregated and allocated among all affiliated client accounts seeking the investment opportunity or a client may be limited in, or precluded from, participating in an aggregated trade as a result of that Client's specific brokerage arrangements. Also, an issuer in which Clients wish to invest may have threshold limitations or aggregate ownership interests arising from legal or regulatory requirements or company ownership restrictions, which may have the effect of limiting the potential size of the investment opportunity and thus the ability of the applicable client to participate in the opportunity.

## **Conflicts Related to Valuation**

The Firm may have a role in determining asset values with respect to Client accounts and may be required to price an asset when a market price is unavailable or unreliable. This may give rise to a conflict of interest because the Firm may be paid an asset-based fee on certain Client accounts. In order to mitigate these conflicts, the Firm determines asset values in accordance with valuation procedures, which are set forth in the Firm's Compliance Manual.

## **Material Non-Public Information**

There are generally no ethical screens or information barriers among the Firm and certain affiliates of the type that many firms implement to separate persons who make investment decisions from others who might possess material, non-public information that could influence such decisions. If the Firm, any of its personnel or affiliates were to receive material non-public information about an investment or issuer, or have an interest in causing a Client to acquire a particular investment, the Firm may be prevented from causing the Client to purchase or sell such asset due to internal restrictions imposed on the Firm. Notwithstanding the maintenance of certain internal controls relating to the management of material non-public information, it is possible that such controls could fail and result in the Firm, or one of its investment professionals, buying or selling an asset while, at least constructively, in possession of material non-public information.

## **Approach to Other Potential Conflicts**

Various parts of this Brochure discuss potential conflicts of interest that arise from the Firm's asset management business model. The Firm discloses these conflicts due to the fiduciary relationship



with its investment advisory Clients. As a fiduciary, the Firm owes its investment advisory Clients a duty of loyalty. This includes the duty to address, or at minimum disclose, conflicts of interest that may exist between different Clients; between the Firm and Clients; or between its employees and its Clients. Where potential conflicts arise, the Firm will take steps to mitigate, or at least disclose, them. Conflicts that the Firm cannot avoid (or chose not to avoid) are mitigated through written policies that the Firm believes protect the interests of its Clients as a whole. In these cases – which include issues such as personal trading and Client entertainment – regulators have generally prescribed detailed rules or principles for investment firms to follow. By complying with these rules, using robust compliance practices, the Firm believes that it has handled these conflicts appropriately. These interactions are not static; the Firm's business is continually evolving and changes in the Firm's activities can lead to new potential conflicts. The Firm reviews its policies and procedures on an ongoing basis to evaluate their effectiveness and update them as appropriate.



## Item 12 Brokerage Practices

Depending on the terms of the applicable investment management agreement, the Firm's authority generally includes the ability to select broker-dealers through which to execute transactions on behalf of its Clients, and to negotiate the commission rates, if any, at which transactions are effected. The Firm generally also has the authority to enter into International Swap and Derivatives Association ("ISDA"), repurchase clearing, trading brokerage, margin future, options, or other types of agreements on behalf of the Firm's Clients. In making decisions as to which securities are to be bought or sold and the amounts thereof, the Firm is guided by the mandate selected by the Client and any Client-imposed guidelines or restrictions. Unless the Firm and the Client have entered into a non-discretionary arrangement, the Firm generally is not required to provide notice to, consult with, or seek the consent of its Clients prior to engaging in transactions.

### **Brokerage Selection**

The overriding consideration in allocating Client orders for execution is the maximization of Client profits (or minimization of losses) through a combination of controlling transaction costs (including market impact) and seeking the most effective uses of a broker's capabilities. In selecting broker-dealers to execute transactions for its Clients, the Firm seeks to obtain the best execution reasonably available under the circumstances (which may or may not result in paying the lowest available brokerage commissions or spread). In so doing, the Firm considers all factors it deems relevant. Such factors may be either venue specific or transaction specific and may include, but are not limited to: **(A) for venues:** (i) execution capability including speed of execution, quality of communication links to the Firm, clearance and trade settlement history and capability and ratio of complete versus incomplete trades; (ii) ability to handle large trades in securities having limited liquidity without undue market impact and ability to provide liquidity (as principal, agent or otherwise); (iii) access to market liquidity and quotation sources; (iv) financial condition of the counterparty, including reputation and creditworthiness; (v) responsiveness and reliability in executing trades, keeping records and accounting for and correcting administrative errors; (vi) ability to maximize price improvement opportunities, including the ability to provide ad hoc information or services; and (vii) ability to comply with all regulatory requirements; and **(B) for transactions:** (i) price and overall cost of the transaction, including any related credit support; (ii) the size, type and timing of the transaction; (iii) existing and expected activity in the market for the security, including any trading patterns of the security and the particular marketplace; (iv) nature and character of the security or instrument and the markets on which it is purchased or sold; (v) value of research provided, if permitted under applicable law or regulation; (vi) fund or portfolio objectives or Client requirements (if permissible), as may be applicable; (vii) if applicable, Client-directed brokerage arrangements; and (viii) applicable execution venue factors.

The Firm may enter into over-the-counter derivatives transactions generally on stocks, indices, interest rates, debt securities or currencies to seek to enhance the Client's portfolio return and attempt to limit downside risk. Counterparties to these derivatives transactions are selected based on a number of factors, including credit rating, execution prices, execution capability with respect to complex derivative structures and other criteria relevant to a particular transaction.

The Firm's endeavor is to be aware of current charges assessed by relevant broker-dealers and to minimize the expense incurred for effecting portfolio transactions, to the extent consistent with the interests and policies of the Clients' accounts. However, the Firm will not select broker-dealers solely on the basis of "posted" commission rates nor always seek in advance competitive bidding for the most favorable commission rate applicable to any particular transaction. Although the Firm generally seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent as



transactions that involve specialized services on the part of a broker-dealer generally result in higher commission rates or equivalents than would be the case with more routine transactions. The Firm may pay higher commission rates to those brokers whose execution abilities, brokerage or research services or other legitimate and appropriate services are particularly helpful in seeking good investment results.

Unless inconsistent with the Firm's duty to seek best execution, the Firm may direct a broker to execute a trade and "step out" a portion of the commission in favor of another broker that provides brokerage or research related services to the Firm as described above. The Firm may also use step out transactions in fulfilling a Client-directed brokerage arrangement, to allow for an order to be aggregated, or for regulatory or other purposes. However, the Firm does not enter into agreements with, or make commitments to, any broker-dealer that would bind the Firm to compensate that broker-dealer, directly or indirectly, for Client referrals or sales efforts through placement of brokerage transactions; nor will the Firm use step out transactions or similar arrangements to compensate selling brokers for their sales efforts.

### **Soft Dollars**

In those circumstances where more than one broker-dealer is able to satisfy the Firm's obligation to obtain best execution, the Firm may place a trade order on behalf of Client accounts with a broker-dealer that charges more than the lowest available commission cost or price. The Firm may do this in exchange for certain brokerage and research services provided either directly from the broker-dealer or through a third party ("Soft Dollar Arrangements"), provided that each of the following is met:

- The Firm determines:
  - (i) The research or brokerage product or service constitutes an eligible brokerage or research service;
  - (ii) The product or service provides lawful and appropriate assistance in the performance of the Firm's investment decision making responsibilities; and
  - (iii) In good faith the amount of Client commissions paid is reasonable in light of the value of the products or services provided.
- The Firm may only generate soft dollars with commissions in agency transactions. The Firm may not use dealer markups in principal transactions to generate soft dollars. In addition, a trade for a fixed income security or over-the-counter ("OTC") security may be done on an agency basis only if the trader determines that it would not result in a broker-dealer unnecessarily being inserted between the Firm and the market for that security.
- No soft dollars are generated on accounts for which:
  - (i) Investment discretion resides with the Client (i.e. non-discretionary accounts);
  - (ii) Client mandates restrict or prohibit the generation of soft dollar commissions;
  - (iii) The Client has a directed brokerage arrangement.
- The brokerage trade placed is for "securities" transactions (and not, for example, futures transactions).



The Firm has entered into, and may enter into in the future, written or formal or informal agreements with brokers or third parties where the Firm may use “soft dollars” generated by Client accounts to pay for the research and/or related services provided by brokers described above. The term “soft dollars” refers to the receipt by the Firm of products and services provided by brokers without any cash payment by the Firm, based on the volume of revenues generated from brokerage commissions for transactions executed for Clients’ accounts. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment).

Using “soft dollars” to obtain investment research and/or related services creates a potential conflict of interest between the Firm and its Clients’ accounts, because the “soft dollars” may be used to acquire such products and services that are not exclusively for the benefit of the Client accounts that paid such commissions and that may primarily benefit the Firm. To the extent that the Firm is able to acquire these products and services without expending the Firm resources (including management fees paid by Client accounts), the Firm’s use of “soft dollars” would tend to increase its profitability. Furthermore, the Firm may have an incentive to select or recommend brokers based on its interest in receiving research or other products or services, rather than on its Clients’ interest in receiving most favorable execution. The Firm may cause Clients to pay commissions (or markups or markdowns) higher than those charged by other brokers in return for soft dollar benefits. The Firm does not, however, negotiate higher rates on fees and expenses to be paid by Clients in exchange for lower rates on fees and expenses to be paid by the Firm.

Research services furnished by brokers through whom the Firm effects securities transactions may be used in servicing all of the Firm’s Clients’ accounts, and not all such services may be used in connection with the accounts which paid commissions to the broker providing such services. The Firm seeks to allocate soft dollar benefits among Client accounts in a fair and equitable manner under the circumstances, but there can be no assurance that we will be successful in this regard.

#### *Products and Services Acquired with Soft Dollars*

All products and services acquired with soft dollars qualify under the Safe Harbor of 28(e) of the Securities Exchange Act of 1934. Examples of eligible services and products include independent stock research, economic research, research in specific industry sectors, real time feeds, newswires, and strategic analysis.

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

The Firm reserves the right to pay a fee or commission, in its sole discretion, to brokers or other persons who introduce Clients to the Firm, provided that any such fee or commission will be paid solely by the Firm or its affiliates and no portion thereof will be paid by Clients. As a result, the Firm may have an incentive to select or recommend a broker based on the Firm’s interest in receiving Client referrals rather than on Clients’ interest in receiving most favorable execution. Because such referrals, if any, are likely to benefit the Firm but will provide an insignificant (if any) benefit to Clients, the Firm will have a conflict of interest with Clients when allocating Client brokerage business to a broker who has referred investors to a Client. To prevent Client brokerage commissions from being used to pay referral fees, the Firm will not allocate Client brokerage business to a referring broker unless the Firm determines in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value to Clients.





### **Directed Brokerage**

The Firm does not recommend, request, or require a Client to direct the Firm to execute transactions through a specified broker-dealer. The Firm does not permit a Client to direct the Firm to execute transactions through a specified broker-dealer.

### **Aggregation of Orders**

The Firm may aggregate purchase and sale orders of securities held by a Client with similar orders being made simultaneously for other Clients or accounts if, in the Firm's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to the Clients based on an evaluation that the Clients will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of securities for a Client will be affected simultaneously with the purchase or sale of like securities for other accounts or entities. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such instances, the Firm will average the price of all units of such security bought or sold by any Client and/or other accounts in any single trading day (the "Average Price"). The price that such Client and/or other accounts pay or receive for such securities bought or sold in the same trading day will be the Average Price multiplied by the number of units of such security bought or sold by such Client and/or other accounts, respectively. In rare circumstances, the Firm may elect to use the actual purchase or sale price instead of the Average Price if it determines, in its sole discretion that using the Average Price would be unfairly prejudicial to such Client and/or other accounts. An individual trade may be affected at a price that is higher than would have been the case without the aggregation of orders. The Firm, however, believes that the relationship as a whole will result in a net benefit to the Clients.

### **Allocation of Trades**

The Firm may, at times, determine that certain securities will be suitable for acquisition by the Clients and by other accounts managed by the Firm, possibly including the Firm's own accounts or accounts of an affiliate. If that occurs, and the Firm is not able to acquire the desired aggregate amount of such securities on terms and conditions which the Firm deems advisable, the Firm will endeavor in good faith to allocate the limited amount of such securities acquired among the various accounts for which the Firm considers them suitable. The Firm may make such allocations among the accounts in any manner that it considers fair under the circumstances, including, but not limited to, allocations based on relative account sizes, the degree of risk involved in the securities acquired, and the extent to which a position in such securities is consistent with the investment policies and strategies of the various accounts involved.





### **IPO/Limited Offering Allocations**

Clients may from time to time participate in an initial public offering (an “IPO”), or other types of limited offerings, if the portfolio manager managing the portfolio believes that the offering is an appropriate investment based on the portfolio's investment restrictions, risk profile, asset composition and/or cash levels. Clients must be eligible to receive allocations of IPOs pursuant to relevant FINRA regulations. In the event that the Firm reasonably determines that a Client is not eligible to receive IPO allocations pursuant to these regulations or does not have reasonable assurances that the Client is eligible to receive allocations, the Firm may prohibit the Client's account from receiving any allocations of an available offering. The Firm's IPO/limited offering allocation procedures generally require all shares to be allocated on a pro-rata basis to all participating eligible accounts based on the total assets of each account. In certain circumstances, the Firm may deviate from a pro-rata allocation to account for allocation sizes that are deemed by investment personnel to be de minimis for certain eligible accounts or to address situations specific to individual accounts (e.g., cash limitations, position weightings, etc.). The Firm cannot assure, in all instances, participation in IPOs or limited offerings by all eligible accounts. In the event an eligible account does not participate in an offering, the Firm does not reimburse for opportunity costs.

### **ADRs**

In certain circumstances, the Firm may invest Client assets in ADRs. When doing so, depending upon the existence and/or liquidity of the ADR and other factors, these trades may be executed in the U.S. or in a non-U.S. market. When trades are executed in non-U.S. markets, non-U.S. securities will be acquired and broker-dealers or other securities intermediaries will convert these non-U.S. securities into U.S. ADRs (denominated in U.S. dollars). Broker-dealers or other securities intermediaries may charge commissions, conversion and/or other fees for converting the securities into ADRs, all of which will be included (i.e. netted) into the price of the securities. These conversion fees may be negotiable, may vary, and typically are paid by the Clients.

Additionally, the Firm may convert a non-U.S. security to an ADR that would be considered highly illiquid when traded in the U.S. This may make it difficult to liquidate a position when Clients close an account, transfer the assets to another firm, request a withdrawal or other transaction that requires the security be traded domestically versus in the foreign security market. The liquidity, or lack thereof, of the converted ADRs in the U.S. market could result in a transaction price that differs substantially from the transaction price that could be obtained if that same security was transacted in the non-U.S. market.

### **Firm Errors**

Trade errors may occur either in the investment decision-making process (e.g., a purchase of a security or an amount of security that violates a Client's investment restrictions) or in the trading process (e.g., a buy order executed as a sell, the purchase or sale of a security other than what was intended, or trading an incorrect quantity of securities). Internal or clerical mistakes that affect the investment or trading process and have a financial impact to a Client will also be treated as trade errors.

A “trade error” will generally be defined as a transaction that is executed in a manner that was not intentional and results in a corrective action being taken. Any mistakes that do not affect the investment decision-making or trading process, or cause a violation of a Client's investment policies or restrictions, and do not cause gain or loss to the Client, will not be treated as trade errors.



The Firm's traders will be responsible for notifying the Chief Compliance Officer promptly of the circumstances of any trade error. Traders will discuss any action taken to correct a trade error (e.g. selling a security in the open market) and/or any other corrective action with the Chief Compliance Officer prior to its implementation as to whether such action is appropriate.

If a third party creates the error, the Firm will look to the third party to take corrective action. Broker-dealers may be held responsible for a portion of any loss resulting from a trade error if actions of such broker-dealer contributed to the error or the loss. The Firm will require broker-dealers to assist in rectifying a trade error on favorable terms if their actions or inactions contributed to the error or the resulting loss. A broker may absorb the loss from a trade error caused by the broker. The Firm will not direct brokerage commissions to brokers, or to enter into other reciprocal arrangements with brokers, in order to induce a broker to absorb a loss from a trading error caused by the Firm. No soft-dollars may be used to satisfy any trade errors. In addition, the Firm may not use the securities in one Client's account to settle the trade error in another Client's account.



## Item 13 Review of Accounts

All Clients managed by the Firm are reviewed periodically, at least on a monthly basis, by any one or more of the Firms Investment Committee members, comprising of Mr. Daniel J. Barker and/ or Mr. Eric Almeraz, for conformity with Client objectives and guidelines.

The calendar is the main triggering factor of a review of an account. More frequent reviews may be also be triggered by, among other things, Client capital injections and/or withdrawals. From an investment management perspective, triggers for review include emerging trends and developments, market volatility, economic factors, financial results of a portfolio company, analyst commentary, and news.

In general, reports showing transactions and positions are sent to the Clients by qualified custodians. Monthly account statements showing performance (unaudited) are sent to Investors by the administrator. In addition, the Clients' realized gains/losses, interest and dividends earned are reported to Clients annually. Each Investor in a Fund also will receive the following: (i) annual financial statements of a Fund, audited by an independent certified public accounting firm; (ii) in the discretion of the Firm or an affiliate of the Firm, a periodic letter and/or report discussing the results of the accounts; (iii) copies of such Investor's Schedule K-1 to a Fund's tax returns (this applies to Investors in onshore Funds only); and (iv) other reports, as determined by the Firm or an affiliate of the Firm in its sole discretion. Additionally, within 120 days of year-end, Investors receive audited financial statements that are compliant with U.S. generally accepted accounting principles ("GAAP").



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

The Firm does not receive, from any non-Client, any economic benefit associated with advising Clients.

The Firm may use independent third-party solicitors to refer Clients to the Firm and pay a portion of its advisory fees to such solicitors, in accordance with Rule 206(4)-3 of the Advisers Act. The Firm may engage underwriters, brokers, dealers or finders to assist in the offering of Interests in a Fund, or in finding other Clients. Except for commissions on brokerage transactions (which will be paid by Clients), the Firm will pay (and will not charge Clients) fees and commissions that may be payable to any such brokers or finders for assisting in the offering or sale of Interests in a Fund, or in finding other Clients.



## Item 15 Custody

The Firm does not act as custodian for Client assets. The Firm maintains Client assets with a Qualified Custodian as defined in Rule 206(4)-2 of the Advisers Act. However, under Rule 206(4)-2 under the Advisers Act, the Firm may be deemed to have custody of Client assets.

When the Firm opens an account for a Client, the Firm will notify the Client in writing of the Qualified Custodian's name and address and the manner in which the funds or securities are maintained. The Firm will ensure that all Client account statements are sent directly from the Qualified Custodian to each Client. The Firm will notify its Clients in writing of any change in its custody arrangements.

Clients are instructed to make all payments to their accounts by wire transfer directly to the bank or brokerage firm acting as custodian for that Client. Payments for subscriptions in investment funds managed by the Firm should be sent by wire transfer directly to the Fund Administrator of the investment fund. Any check received inadvertently from a Client should be returned to the Client promptly and in any event within three business days. It is not the Firm's policy to forward such assets to the intended third-party recipient despite the delays inherent in returning them to the sender solely to be redelivered to the intended recipient. It is important to note that the policy is not applicable to the Firm's possession of a check drawn by a Client and made payable to a third party.

Pursuant to Rule 206(4)-2 the Firm will cause each Fund that it advises to distribute audited financial statements, prepared in accordance with GAAP by an independent public accountant registered with the Public Company Accounting Oversight Board ("PCAOB"), to investors no later than 120 days after the end of each fiscal year. The audit firm engaged by the Firm is RSM US, LLP (formally known as McGladrey, LLP), and is registered with the PCAOB.



## **Item 16 Investment Discretion**

The Firm has discretionary investment authority over Client assets that are managed by the Firm. For a description of limitations Clients may impose on our discretionary authority to manage securities, please see Item 4 titles “Advisory Services” and “Client Investment Guidelines and Parameters”.



## **Item 17 Voting Client Securities**

### **Securities held in Client Accounts**

The Firm's proxy voting policy ensures proxies are voted on behalf of each Client Account's securities and in the best economic interests of such Client Account, without regard to the interests of the Firm or any other Client of the Firm. The Firm monitors corporate actions of those securities it has purchased on behalf of its Investors. Receipt of proxy materials is logged into a proxy control sheet. The Firm evaluates the subject matter of each proxy and vote on behalf of the Client Account in accordance to the Guidelines set forth in the proxy voting policy.

If the Portfolio Manager(s) determines that the Firm may have a potential material conflict of interest in voting a proxy, the Portfolio Manager(s) will contact the Firm's Chief Compliance Officer prior to the voting deadline. The Firm also may determine not to vote proxies with respect to securities of any issuer if it determines it would be in its Client's overall best interests not to vote.

Proxy votes will generally be submitted electronically or by mail. A record of the proxy votes cast will be made and retained by the Firm. Investors can obtain information on how the proxies were voted and a detailed description of the Firm's policies and procedures regarding proxy voting by requesting such information from the Chief Compliance Officer at (203) 409-6307.

In some foreign markets, where proxy voting demands fee payment for agent services, the Firm will balance the cost and benefit of proxy voting and may give up the proxy voting if the cost associated with it is greater than the benefits from voting.

### **Obtaining a Copy of the Policy**

Clients and prospective Clients can obtain a copy of the proxy voting policy or information on how the Firm voted proxies by contacting the Chief Compliance Officer at (203) 409-6307.



## **Item 18 Financial Information**

The Firm solicits prepayment of Management Fees on a quarterly basis from the Clients. The Firm does not solicit prepayment of more than \$1,200 in fees per Client six months or more in advance, and thus has not provided a balance sheet according to the specifications of 17 CFR Parts 275 and 279.

The Firm has discretionary authority or custody of Client funds or securities. There is no financial condition that is reasonably likely to occur that would impair our ability to meet contractual commitments to Clients. The Firm has not been the subject of a bankruptcy petition during the past ten years.

