

# 1607 Capital Partners, LLC

## Part 2A of Form ADV

### The Brochure

13 South 13<sup>th</sup> Street  
Suite 400  
Richmond, VA 23219  
[www.1607capital.com](http://www.1607capital.com)

Updated: March 2020

This brochure provides information about the qualifications and business practices of 1607 Capital Partners, LLC. For more information on the disclosure requirements required for Part 2A see the “General Instructions for Part 2 of Form ADV” by visiting [www.sec.gov/rules/final/2010/ia-3060.pdf](http://www.sec.gov/rules/final/2010/ia-3060.pdf). If you have any questions about the contents of this brochure, please contact us at 804-525-1750. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about 1607 Capital Partners, LLC is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Any reference to 1607 Capital Partners, LLC being a registered investment adviser, or any indication of being registered, herein does not imply a certain level of skill or training.

## Item 2 - Material Changes

Item 2 of the Brochure is intended to discuss material changes that are made to the Brochure and provide clients with a summary of such changes. Mr. Carlos Domenech was removed from Item 13 as he ceased employment with 1607 effective January 31, 2020 (which was also communicated to appropriate clients in January 2020).

## Item 3 - Table of Contents

|   |    |
|---|----|
| Material Changes .....  | 2  |
| Table of Contents .....   | 2  |
| Advisory Business .....   | 2  |
| Fees and Compensation .....   | 3  |
| Performance Based Fees and Side-by-Side Management .....                                    | 5  |
| Types of Clients .....  | 5  |
| Methods of Analysis, Investment Strategies and Risk of Loss .....                           | 6  |
| Disciplinary Information .....  | 11 |
| Other Financial Industry Activities and Affiliations .....                                  | 12 |
| Code of Ethics, Participation or Interest in Client Transactions and Personal Trading ..... | 12 |
| Brokerage Practices .....   | 13 |
| Review of Accounts .....  | 14 |
| Client Referrals and Other Compensation .....   | 15 |
| Custody .....   | 15 |
| Investment Discretion .....   | 15 |
| Voting Client Securities .....  | 16 |
| Financial Information .....   | 16 |

## Item 4 - Advisory Business

1607 Capital Partners, LLC was established in 2007 as a privately held investment firm and is currently majority owned by Shannon Fake, Ashley Long, James Mallory, Kirk Tattersall and Rosemont Investment Group, LLC. As of December 31, 2019 the Company had \$4.23 billion of assets under management on a discretionary basis.

1607 Capital Partners, LLC (together with its Relying Adviser, “1607” or the “Company”) offers investment advisory services to high net worth individuals and institutional clients including corporate and public pension funds, and university and foundation endowments. 1607 directly controls 1607 Capital Partners Limited (the “Relying Adviser”), and all persons acting on behalf of the Relying Adviser are subject to the supervision and control of the Company.

We currently offer seven different investment products in which a client may participate. Aside from a willingness to abide by a limited set of guidelines imposed by the client, our firm does not tailor investment advice based on each client's individual needs, but rather according to the parameters for each investment product we manage. The investment management objective is implemented on a discretionary basis as stated in the Company’s asset management agreement. Client assets are actively managed by investing primarily in closed-end mutual funds that invest in domestic and international equities, fixed income products, and exchange-traded funds (“ETFs”). “Closed-end mutual funds” means exchange-traded closed-end funds and similar exchange-traded investment funds and investment holding companies that trade at prices that may reflect a

discount (or premium) to net asset value. However, 1607 may also utilize investment instruments that track an index, including ETFs, in market environments when the relative value of the available closed-end funds becomes less attractive. On an ongoing basis we monitor the performance of client accounts and the investment markets and reallocate clients' assets as appropriate.

1607 also provides investment advisory services and serves as the General Partner to six private investment Delaware limited partnerships, including: the 1607 Capital International Equity Fund, LP, the 1607 Capital Global Equity Fund, LP, the 1607 Capital Global ex US Fund, LP, the 1607 Capital Domestic Equity Fund, LP, the 1607 Capital Bond Fund, LP, and the 1607 Capital Tax Advantaged Fund, LP. (collectively the "1607 Funds" and together with separate account clients "Clients")

Similar to our separate account clients, Fund assets are actively managed by investing primarily in exchange listed closed-end mutual funds. The 1607 Funds are actively managed with the objective of, on a net rate of return basis, exceeding a specified benchmark.

## **Item 5 - Fees and Compensation**

### **Separately Managed Accounts**

Fees may include a combination of a management and performance based fees. Asset based management fees will be charged quarterly in advance or in arrears, as agreed to with the client, based on a percentage of the client's assets under management at the beginning or end of the calendar quarter, subject to adjustments for contributions to or withdrawals from the client account. Performance based fees are negotiated on a case by case basis and will generally be based upon a share of the capital gains or capital appreciation of the funds and securities in a client's account above those of the stated benchmark for the particular client. Performance fees will only be charged to qualified clients and in accordance with Rule 205-3 under the Advisers Act. The compensation for our services, which include investing a client's assets in accordance with one of our stated strategies, monitoring a client's investment results, and reporting to the client on a quarterly basis, is as follows:

#### **Equity Portfolios:**

| <b>Assets Under Management</b> | <b>Fee</b> |
|--------------------------------|------------|
| First \$100 Million            | .75%       |
| Next \$150 Million             | .65%       |
| Above \$250 Million            | .50%       |

#### **Fixed Income Portfolios:**

Flat fee of .50%

Investment advisory services begin with the effective date of the Agreement, which is the date the client signs the Investment Advisory Agreement. For that calendar quarter, fees will be adjusted pro rata based upon the number of calendar days in the calendar quarter that the Agreement was effective. Fees can either be deducted directly from the client's brokerage account or paid directly

by the client pursuant to a written agreement. We reserve the right to adjust the fee schedule for accounts depending on the size and type of account and the services required. In some cases, negotiation of fees may result in different fees being charged for similar services and may be less than the stated fee schedule.

Advisory fees charged are separate and distinct from fees and expenses charged by the closed-end funds that are recommended to clients. Additionally, the fees paid to 1607 are exclusive of custodial and transaction costs paid to custodians, brokers, or any other third parties. Clients should review all fees charged and fully understand the total amount of fees to be paid.

## **1607 Funds**

Fees may include a combination of a management and performance based fees, depending on the applicable Fund. Management fees charged to investors in the 1607 Funds are based on the value of account assets at the end of each month. Performance based fees are based upon a share of the capital gains or capital appreciation of an investor's capital account above those of the stated benchmark. Detailed information regarding the fees charged to the 1607 Funds are provided in the fund's private offering memorandum and other governing documents. We reserve the right to adjust the stated fee schedule through side letters with investors, including the option of implementing a performance based fee. Performance fees will only be charged to qualified clients and in accordance with Rule 205-3 under the Advisers Act. In addition to the fees charged by us, investors will bear indirectly other fees and expenses incurred by the 1607 Funds including, but not limited to, the following: legal fees; accounting fees; custodian fees; fund administration fees; organizational and registration expenses; and certain offering costs. Investors should review all fees charged by us and the expenses charged to the 1607 Funds to fully understand the total amount of fees to be paid by the fund and, indirectly, the investors. The private offering memorandum provides a summary of the expenses charged to the fund.

We have adopted a Valuation & Pricing Policy and Procedures to govern the pricing (valuation) of securities held in client portfolios. With respect to the separate account clients, the advisory fees are based on security valuations obtained using independent pricing sources. Although we utilize well-known, widely-used independent pricing vendors, such security valuations may differ from the security valuations assigned by a client's custodian. With respect to the 1607 Funds, the advisory fees are based on security valuations confirmed by the independent third-party administrator.

If for any reason a Client wishes to terminate an investment advisory contract, the Client must provide prior written notice in accordance with the terms of their contract. The client is responsible to pay for services rendered until the termination of the agreement. Upon termination, any unearned fees charged for advisory services will be refunded on a pro-rata basis. Investors' ability to redeem from the 1607 Funds is subject to formal notice requirements and other restrictions. The 1607 Funds' offering memorandum provides a summary of when investors are permitted to make complete or partial redemptions.

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

Performance based fees are fees based on a share of capital gains on or capital appreciation of the assets of a client. An adviser charging performance fees to some accounts faces a variety of conflicts because the adviser can potentially receive greater fees from its accounts having a performance-based compensation structure than from those accounts it charges a fee unrelated to performance (*e.g.*, an asset-based fee). As a result, the adviser may have an incentive to direct the best investment ideas to, or to allocate or sequence trades in favor of, the account that pays a performance fee.

We will enter into performance-based fee arrangements and the fact that we are compensated based on the trading profits may create an incentive for us to make investments on behalf of clients that are riskier or more speculative than would be the case in the absence of such compensation. In addition, some clients are not charged an incentive fee, thus we have an incentive to favor accounts for which we receive a performance-based fee. In no instance will clients paying performance-based fees receive preferential treatment over clients not paying performance-based fees. As a fiduciary, 1607 recognizes its duties to act in good faith and with fairness in all of its dealings with all clients. To further mitigate this potential conflict of interest, we have adopted trade allocation and aggregation procedures (see Brokerage Practices Section) to ensure that no client is allocated more profitable investments.

Only qualified clients are eligible to be assessed a performance fee. Qualified clients must i) have at least \$1,000,000 in assets under management with 1607, or ii) have a net worth (or joint net worth with a spouse) of at least \$2,100,000. The performance compensation will be negotiated with each client. Performance-based compensation may create an incentive for us to make investments that are riskier or more speculative than would be the case in the absence of performance compensation.

## **Item 7 - Types of Clients**

In addition to high net worth individuals and institutional clients, including corporate and public pension funds, and university and foundation endowments, we also provide discretionary investment advice to the 1607 Funds which are private investment Delaware limited partnerships.

We typically will not act as investment adviser for separately managed accounts that are less than \$25 million, and generally require 1607 Fund investors to initially contribute \$3 million, with the exception of the 1607 Capital Tax Advantaged Fund, LP which has an initial minimum contribution of \$250,000. However, we reserve the right to make exceptions to the minimum investment requirements.

We may from time to time enter into letter agreements or other similar agreements (“side letters”) with one or more investors of a 1607 Fund which provide such investor with additional and/or different rights than investors have pursuant to the general terms of the Fund. Such rights may include providing the investor with shorter notice periods and more frequent and detailed reports, as well as the reduction or waiver of the management or performance fee.

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

The 1607 investment team employs a bottom-up, value-oriented approach in selecting closed-end funds based on a proprietary system. We begin our investment process with the collection of data on the universe of investable closed-end funds. The universe of funds generally will include exchange-traded closed-end funds, and other similar commingled investment companies, that invest primarily in domestic and international equities, fixed income products, and ETFs. Information such as prices, dividends, net asset values and portfolio composition is collected and used to estimate the net asset values of the funds at any given time. Based on this information, we then rank the universe of investable funds using a proprietary model that evaluates various indicators, including relative and absolute discount levels, net asset value performance, and qualitative factors, including fund management, corporate action activity (share repurchases, tender offers, open-ending provisions, etc.) and fund size. The output of this ranking system provides the starting point for our investment decisions.

We then use top down country and regional data to both confirm the bottom-up research and control risks. Country valuations, economic growth, and geopolitical environments are all evaluated during this step. Specific client guidelines and benchmarks along with diversification considerations are then monitored to further control risks and confirm fund choices. Client portfolios are created from this research and re-evaluated on a daily basis.

The description provided above is a brief overview of the investment strategy and is not intended to be complete. All investing involves a risk of loss and our investment strategy could lose money over short or even long periods. The information below is a summary of the key risks. While the investment strategies used in our Funds are the same as those used for separate accounts, there are risks that are specific to the Funds. Investors in the 1607 Funds should carefully consider the investment objectives and risk of each 1607 Fund. Investors should review the offering document for each Fund for a more detailed explanation of the investment strategy and risks involved. Clients should contact us for additional information on other risks that may be present when opening an account with 1607.

### *Investment Approach and Strategies*

Risk is inherent in all investing. No guarantee or representation is made that our investment approach or strategies will be successful or produce profitable results. Our unique, fund of funds investment style may not be successful in realizing the client's investment objectives. Profitable investing is often dependent on anticipating that the market will change its perception of what appears to be an undervalued stock at some point in the future. Markets subject to random price fluctuations, rather than rational decisions, may generate a series of losing investments. There have been periods in the past when the markets have been subject to irrational price movements, and such periods may recur. Any factor which would make it difficult to execute trades, such as reduced liquidity or extreme market developments resulting in limit moves, also could be detrimental to profits. For example, supply and demand for securities and other financial instruments change rapidly and are affected by a variety of factors. Such factors include investment-specific price fluctuations as well as macro-economic, market and industry-specific conditions, including, but not limited to, national and international economic conditions, domestic and international financial policies and performance, conditions affecting particular investments (such as the results of operations, financial condition, sales and product lines of corporate issuers),

national and international politics, governmental events and changes in interest rates and income tax laws. In addition, events such as political instability, terrorism, natural disasters, and regional and global health epidemics may occur. No assurance can be given that our techniques and strategies will be profitable in the future.

### *Closed – End Funds*

We intend to invest primarily in closed-end funds that invest in domestic and international equities, fixed income products, and ETFs (depending on the specific investment product). Risks of investing in shares of a closed-end fund that invest in domestic and international equities, fixed income products, and ETFs are similar to those risks associated with investing in these securities directly. In addition to these risks, the shares of closed-end funds often trade at a discount to the underlying net asset value of the fund and this discount can increase significantly during various market conditions that do not otherwise impact the value of the fund's holdings. 1607 clients and investors are also subject to manager risk, which is the risk associated with the closed-end fund management team's ineffective or underperforming management. While 1607 analyzes the fund management, clients are indirectly subject to the risks associated with the investment decisions of the closed-end fund management. Further, closed-end funds incur investment advisory, transactional, administrative and other expenses that are in addition to the investment advisory, transactional, administrative and other expenses incurred by the client.

### *Exchange-Traded Funds*

We may invest in shares of ETFs that invest in equity securities. Risks of investing in shares of an ETF that invest in equity securities are similar to those risks associated with investing in the equity securities directly. In addition to these risks, an investment in shares of an ETF also expose investors to the risk of errors in matching the ETF's underlying assets to an index and the risk that because an ETF is not actively managed, it cannot sell poorly performing equity securities as long as they are represented in an index. These risks may affect the ability of 1607 to implement its investment strategy effectively and reduce the accounts' profit potential.

Additionally, an ETF's return may not match the return of the index it is trying to replicate (the "Replicated Index") for a number of reasons. For example, an ETF incurs a number of operating expenses not applicable to the Replicated Index, and incurs costs in buying and selling securities, especially when rebalancing the ETF's securities holdings to reflect changes in the composition of the Replicated Index. The ETF may not be fully invested at times, either as a result of cash flows into the ETF or reserves of cash held by the ETF to meet redemptions and expenses.

### *International Investing*

We invest in closed-end funds that conduct investment activities outside the U.S. Prospective investors should understand and consider carefully the greater risks involved in investing internationally. Investing in securities of non-U.S. issuers, positions which generally are denominated in foreign currencies, involve both opportunities and risks not typically associated with investing in U.S. securities. These include: fluctuations in exchange rates of foreign currencies; possible imposition of exchange control regulation or currency restrictions that would prevent cash from being brought back to the United States; less public information with respect to issuers of securities; less governmental supervision of exchanges, securities brokers and issuers of securities; difficulties in obtaining and enforcing a judgment against a foreign issuer; different

accounting, auditing and financial reporting standards; different settlement periods and trading practices; less liquidity and frequently greater price volatility in foreign markets than in the United States; imposition of foreign withholding and other taxes; and sometimes less advantageous legal, operational and financial protections applicable to foreign sub-custodial arrangements.

The cost of investing in securities of non-U.S. issuers can be higher than the cost of investing in U.S. securities. Investments in securities denominated in foreign currencies also involve the additional cost of converting currencies upon the purchase and sale of securities.

### *Emerging Markets*

We invest in closed-end funds that conduct investment activities in emerging markets. The risks described above for “International Investing” are typically increased to the extent that a closed-end fund invests in issuers located in less developed and developing nations. The securities markets of emerging countries are substantially smaller, less developed, less liquid and more volatile than the securities markets of the U.S. and other more developed countries. Disclosure and regulatory standards in many respects are less stringent than in the U.S. and other major markets. There also may be a lower level of monitoring and regulation of the markets and the activities of investors in certain less developed countries, and enforcement of existing regulations can be extremely limited. Emerging markets may have slower clearance and settlement procedures, higher transaction costs and investment restrictions that may restrict or delay trading. In addition, certain governments may require approval for, or otherwise restrict, the repatriation of investment income, capital or proceeds of sales of securities by foreign investors. War, governmental intervention, lack of capital, corruption, poor corporate management and limited resources are also common risks associated with investing in these markets.

Investments in securities of issuers located in emerging countries can be more speculative than investments in securities of issuers located in developed countries and are subject to certain special risks. The political and economic structures in many of these emerging countries may be in their infancy and developing rapidly, as such countries may lack the social, political and economic characteristics of more developed countries. Certain of these countries have in the past failed to recognize private property rights and have at times nationalized and expropriated the assets of private companies. Some countries have inhibited the conversion of their currency to another. The currencies of certain emerging market countries have experienced devaluations relative to the U.S. dollar, and future devaluations may adversely affect the value of client’s assets valued in such currencies. Many emerging markets have experienced substantial, and in some periods, extremely high, rates of inflation for many years. Continued inflation may adversely affect the economics and securities markets of such countries.

### *Currency Risk*

The value of foreign securities is affected by changes in currency rates, foreign tax laws (including withholding tax), government policies (in this country or abroad), relations between nations and trading, settlement, custodial and other operational risks. Because 1607 invests in securities denominated or quoted in currencies other than the U.S. dollar, client accounts will be affected by changes in foreign currency exchange rates (and exchange control regulations) that affect the value of investments and the accrued income and appreciation or depreciation of the investments in U.S. dollars. An increase in the strength of the U.S. dollar relative to other currencies may cause the value of client accounts to decline. Certain foreign currencies may be



particularly volatile, and foreign governments may intervene in the currency markets, causing a decline in value or liquidity in client's foreign holdings whose value is tied to the affected foreign currency. In addition, client accounts may incur costs in connection with conversions between various currencies.

#### *Transactions on Non-U.S. Exchanges*

We will engage in trading on markets outside the United States. Transactions on non-U.S. exchanges are not regulated by U.S. governmental agencies, such as the SEC. Some non-U.S. exchanges, in contrast to exchanges in the United States, may be "principals markets" similar to forward markets, in which responsibility for performance is only that of the principal with whom a trader has entered into a transaction, and not of an exchange or clearing corporation. In some cases, a broker with whom 1607 enters into a transaction may in effect take the opposite side of trades. Because some non-U.S. exchanges generally lack a clearinghouse system such as that utilized by exchanges in the United States, market disruptions may be more likely to occur on non-U.S. exchanges.

#### *Investments in Equity Securities*

Common stock and similar equity securities generally represent the most junior position in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Holders of common stock generally are entitled to dividends only if and to the extent declared by the governing body of the issuer out of income or other assets available after making interest, dividend and any other required payments on more senior securities of the issuer.

#### *Fixed Income and Debt Securities*

We invest in closed-end funds that invest in fixed-income securities. These securities may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. Fixed-income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to the risk of price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness or financial condition of the issuer, and general market liquidity (*i.e.*, market risk).

Credit risk relates to the ability of the issuer of a security to make interest and principal payments on the security as they become due. If the issuer fails to pay interest, clients' income might be reduced and if the issuer fails to repay principal, the value of that security might be reduced.

Debt securities also are subject to interest rate risk. Debt securities will increase or decrease in value based on changes in interest rates. If interest rates increase, the value of the debt securities held in client accounts generally should decline. On the other hand, if interest rates fall, the values of investments in client accounts generally should increase. Securities with greater interest rate sensitivity and longer maturities tend to produce higher yields, but are subject to greater fluctuations in value. Usually, changes in the value of fixed-income securities will not affect cash generated, but may affect the performance of client accounts.

### *Risks Associated with Municipal Securities*

We may invest in closed-end funds that invest in municipal securities. Most of the municipal securities consist of general obligations for which the taxing power of the issuer is the source of repayment. However, municipal securities may also consist of tax anticipation notes or other obligations whose repayment is entirely dependent on the collection of revenues or excise taxes by the issuing authority. In the event that special revenues backing such obligations are not received, the closed-end fund will have no recourse against the issuer or any other party for repayment of such obligations. In the case of general obligations, there is the risk that an issuer of such obligations could become insolvent and default on the obligations. In such case, the issuer would likely not make full payment of principal and interest on the obligations.

### *High Yield Securities*

We may invest in closed-end funds wherein the underlying assets are debt and equity securities, credit paper, accounts and notes payable, loans and other financial instruments and obligations of financially troubled companies, including companies involved in bankruptcy, reorganization and liquidation proceedings. Although these investments may result in significant returns, they involve a substantial degree of risk. Any one or all of the issuers of the securities or other instruments in which we indirectly invest may be unsuccessful or not show any return for a considerable period of time. In any reorganization or liquidation proceeding related to such an underlying issuer, the client account may lose its entire investment. Under such circumstances, the returns generated from these investments may not compensate the client account adequately for the risks assumed.

### *Derivative Instruments*

The underlying closed-end funds may make use of various derivative instruments, such as swaps. The use of derivative instruments involves a variety of material risks. These risks include the extremely high degree of leverage which can be embedded in such instruments, a risk which can be materially increased by the limited liquidity which often characterizes the derivative markets. The pricing relationships between derivative instruments and the underlying instruments on which they are based also may not conform to anticipated or historical correlation patterns, resulting in unanticipated losses. In addition, the derivative instruments may be over-the-counter instruments (contracts) between the closed-end fund and third parties. The risk of counterparty nonperformance can be significantly greater in the case of these over-the-counter instruments (contracts) as opposed to exchange-traded derivative instruments. Furthermore, "bid-ask" spreads may be unusually wide in the substantially unregulated over-the-counter markets.

### *Warrants*

1607, from time to time, may acquire equity warrants related to a closed-end fund. Equity warrants are securities that give the holder the right, but not the obligation, to subscribe for newly created equity issues of the issuing company or a related company at a fixed price either on a certain date or during a set period. Changes in the value of a warrant do not necessarily correspond to changes in the value of its underlying security. The price of a warrant may be more volatile than the price of its underlying security, and a warrant may offer greater potential for capital appreciation as well as capital loss. Warrants do not entitle a holder to dividends or voting rights with respect to the underlying security and do not represent any rights in the assets of the

issuing company. A warrant ceases to have value if it is not exercised prior to its expiration date. These factors can make warrants more speculative than other types of investments.

#### *Institutional, Credit and Counterparty Risk*

We are subject to the risk that the brokers and counterparties with which, and the exchanges on which, it executes transactions or carries positions may default. The default by a broker, exchange, clearinghouse or counterparty with or through which we trade could result in material losses in client accounts.

#### *Concentration Risk*

Although diversification is an integral part of 1607's overall portfolio risk management process, 1607 is not restricted as to the percentage of client assets that may be invested in any particular instrument, market or asset class. In attempting to maximize clients' returns, 1607 may concentrate the holdings in those industries, companies, instruments or markets which, in the sole judgment of 1607, provide the best profit opportunity in view of the clients' investment objectives.

#### *Cybersecurity*

The computer systems, networks and devices used by us and service providers to us and a Client to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks, or devices potentially can be breached. A Client could be negatively impacted as a result of a cybersecurity breach. Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to a Client; interference with our ability to calculate the value of an investor account; impediments to trading; the inability of us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information. Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which we invest; counterparties with which we engage in transactions; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, insurance companies, and other financial institutions; and other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

### **Item 9 - Disciplinary Information**

1607 and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

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

1607 and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

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

1607's principals and employees are permitted to trade for their own accounts on a limited basis, and from time to time may buy or sell securities that we trade for clients. This creates a potential conflict of interest, however, 1607 has prohibited its principals and employees from trading ahead of any client account. To avoid any additional conflicts of interest resulting from the personal trading of our principals and employees, and to avoid the misuse of material non-public information, we have adopted a written Code of Ethics designed to address and avoid potential conflicts of interest, as required under Rule 204A-1 of the Advisers Act.

Our Code of Ethics requires, among other things, that its principals and employees:

- Act with integrity, competence, diligence, respect and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of 1607 above one's own personal interests;
- Adhere to the fundamental standard that he or she should not take inappropriate advantage of his or her position;
- Avoid and/or disclose any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with the policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analyses, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on the employee and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve his or her professional competence and strive to maintain and improve the competence of other investment professionals; and
- Comply with applicable provisions of the federal securities laws.

Our Code of Ethics also requires principals and employees to: (1) pre-clear certain personal securities transactions; (2) report personal securities transactions on at least a quarterly basis; and (3) provide the CCO with a detailed summary of personal securities holdings (both initially upon commencement of employment and annually thereafter), in each case subject to certain exceptions described in the Code of Ethics.

A copy of our Code of Ethics will be provided to any client or prospective client upon request.

## **Item 12 - Brokerage Practices**

In the course of providing services, 1607 will execute trades for clients through various broker-dealers. When we have broker discretion, there is no restriction on the brokers that may be selected to execute client transactions. When placing portfolio transactions, we will seek to obtain best execution for the clients, taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of the order and difficulty of execution; the financial strength, integrity, and stability of the broker; the firm's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying our other selection criteria.

### *Allocation and Aggregation of Orders*

Determinations concerning the investment and trading needs of each client and the timing of transactions (e.g., security purchases and sales) shall be made throughout the trading day by the responsible Portfolio Manager(s). Each client will not necessarily participate in every security transaction notwithstanding the fact that such investment opportunity may otherwise be suitable for that client.

If we have determined to invest at the same time for more than one client account, we may place combined orders for all such accounts simultaneously. Each account that participates in a blocked transaction will participate at the average share price for all of our transactions in that security on that business day. When allocating trades, the Portfolio Manager takes into account all relevant factors, including, but not limited to, the amount of shares received, the size of each client's allocation, clients' liquidity needs and previous allocations. In the case of partial fills, accounts with smaller weightings in the security will generally receive allocation priority.

Such block trading is done to facilitate best execution and to allocate equitably among our clients differences in prices that might have resulted had such orders been placed independently. We effect batched transactions in a manner designed to ensure that no participating client is favored over any other client. The vast majority of our trades are executed in this manner. However, when significant cash flows occur within a specific account, trades may be executed for that specific account individually (i.e. not blocked with others) in order to align that account with similar accounts participating in the same investment strategy. The CCO, or his designee, conducts periodic reviews of client account performance, and purchase and sale journals to ensure that no client or group of clients is being systematically favored or harmed in the selection and allocation of investment opportunities.

### *Cross Trades*

Consistent with our duty to seek to obtain best execution, occasionally we may execute cross transactions between client accounts. A cross trade occurs when we purchase and sell a particular security between two or more accounts under our management by instructing brokers to cross the trade. We generally utilize cross trades to address account funding issues and when the practice is specifically deemed advantageous for each participant. In no instance do we receive additional

compensation when crossing trades for client accounts. We will seek to ensure that the terms of the transaction, including the consideration to be paid or received, is fair and reasonable, and the transaction is done for the sole benefit of all participating clients.

### *Soft Dollars*

The term “soft dollars” refers to a means of paying brokerage firms for products and services through commission revenue, based on the volume of brokerage commission revenues generated from securities transactions executed through brokers by an investment manager on behalf of advisory clients. Section 28(e) of the Securities Exchange Act of 1934, as amended allows the adviser to pay broker-dealers more than the lowest commission available in order to obtain research and brokerage services without breaching its fiduciary duties to clients or imposing a duty upon the adviser to obtain the lowest commission if certain conditions are met and the adviser makes a good faith determination that the commissions paid are reasonable in relation to the value of the brokerage or research services on behalf of its advisory clients.

In selecting a broker-dealer, we will consider, among other things, the broker-dealer’s best execution capabilities, reputation, and access to the markets for the securities being traded. We will generally seek competitive commissions for transactions for advisory client’s accounts. Consistent with obtaining best execution, transactions for advisory clients may be directed to brokers in return for research services furnished by them to 1607. Such research generally will be used to service all of our clients, but brokerage commissions paid may be used to pay for research that is not used in managing a specific account.

We currently trade with one broker-dealer that provides soft dollar credits, Bloomberg TradeBook. The soft dollar credits earned through Bloomberg TradeBook are used to offset the costs for our Bloomberg terminals, which provide research capabilities, real-time security quotes, and general security information (i.e. corporate actions, dividend information, proxy information, etc.). 1607 receives a benefit because we do not have to produce or pay for these services. Investment research and brokerage services received through this soft dollar arrangement may be used in servicing various clients, and not all such services will necessarily benefit all clients. We will make any appropriate allocations so that 1607 bears the cost of any such services used for purposes other than for eligible research or brokerage (e.g., for administration) as contemplated by Section 28(e). Due to the soft dollar relationship with Bloomberg TradeBook, we have an incentive to direct trades to Bloomberg TradeBook since we will be relieved of expenses which we might otherwise bear.

Some of our clients specifically instruct us not to use broker-dealers that provide soft dollar credits. As a result, clients who provide us with complete discretion in the selection of brokers may incur different commission costs compared to clients who instruct us not to use broker dealers providing soft dollar credits.

We are not affiliated with any broker-dealers.

## **Item 13 - Review of Accounts**

Client accounts are monitored continuously and changes and/or alternate investment opportunities are recommended when a Portfolio Manager believes it is appropriate to do so. General conditions in the stock and bond markets are continuously monitored. Factors triggering reviews, and

perhaps triggering buy or sell recommendations, include changed circumstances of the clients; changed general conditions in the stock and bond markets; and changes in closed-end mutual funds owned by clients. Client accounts are reviewed by each Portfolio Manager, including, Mr. James Mallory, Mr. Shannon Fake, Mr. Ashley Long and Mr. Mathew Kalkowsky. There is no set minimum or maximum number of accounts that will be reviewed.

Clients receive copies of all transaction confirmations and monthly/quarterly statements from their custodians. All clients and 1607 Fund investors receive monthly reports, which include performance, market commentary, and a “fund of the month” section. In addition, all investors receive quarterly reports regarding account performance, expanded market commentary, holdings, discounts, and country allocation. Investors in 1607 Funds receive annual audited financial statements prepared by an independent accounting firm, as discussed in the Custody section below.

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

We do not have any arrangements to compensate third parties for client referrals. However, we may compensate our officers, directors, or employees, on a bonus award basis, for obtaining new clients.

## **Item 15 - Custody**

All client assets are held in custody by unaffiliated broker/dealers or banks, however a registered investment adviser who, directly or through an affiliate, acts as the general partner or managing member to a limited partnership or other comparable pooled investment vehicle is considered to have custody over client assets. In addition, if an adviser can debit accounts to collect fees then it is considered to have custody. Rule 206(4)-2 imposes a number of requirements on an SEC-registered investment adviser that is deemed to have custody of its clients’ funds and securities.

To comply with Rule 206(4)-2 and to provide meaningful protection to 1607 Fund investors, each 1607 Fund is subject to an annual financial statement audit by an independent public account registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The audited financial statements are prepared in accordance with generally accepted accounting principles, and are distributed to each investor within 120 days of the Fund’s fiscal year end.

In cases where we can access separate account client funds and securities through our ability to debit advisory fees from the custodial account, the account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by 1607.

## **Item 16 - Investment Discretion**

When a client agrees to discretionary management, we will be responsible for selecting the amount of securities to be bought and sold. Discretionary authority will be established through the execution of an investment advisory agreement. The only limitations on the investment authority will be those limitations imposed in writing by the client. The offering memorandum and governing document for each 1607 Fund provides that the investment manager has discretion to manage the business and affairs of the 1607 Fund, subject only to specific and express limitations provided therein.

## **Item 17 - Voting Client Securities**

Among the services we provide is that we may vote proxies on behalf of our clients. We are charged with identifying the proxies requiring a vote, voting the proxies in the best interest of clients, and submitting the proxies promptly and properly.

Our policy is to vote client proxies in the interest of maximizing shareholder value. To that end, we will vote in a way that we believe is, consistent with our fiduciary duty, by causing the issue to increase the most or decline the least in value. Consideration will be given to both the short and long term implications of the proposal to be voted on when considering the optimal vote.

We have currently identified no conflicts of interest between our client interests and our own within our proxy voting process. Nevertheless, if we determine that we are facing a material conflict of interest in voting client proxies, our procedures provide for us to seek instruction, where feasible and practicable (e.g., as to time), from the Account owner, or submit the matter to an independent third party (e.g., proxy voting service) for action. As an added protection, the third party's decision is binding.

Our complete proxy voting policy and procedures are memorialized in writing and are available for client review. In addition, our complete proxy voting record is available to our clients, and only to our clients. Please contact us if you have any questions or if you would like to review either of these documents.

In the event we do not exercise proxy-voting authority over client securities then the obligation to vote client proxies shall at all time rest with client. Client shall in no way be precluded from contacting us for advice or information about a particular proxy vote. However, we shall not be deemed to have proxy-voting authority solely as a result of providing such advice to client.

Should we inadvertently receive proxy information for a security held in client's account (in which 1607 does not maintain proxy voting authority), then we will immediately forward such information on to client, but will not take any further action with respect to the voting of such proxy. Upon termination of our Agreement with the client, we shall make a good faith and reasonable attempt to forward proxy information inadvertently received by us on behalf of client to the forwarding address provided by the client to us.

We will not file Class Action lawsuits on behalf of our separate account clients. However, we will help clients who seek assistance in filing Class Actions.

For Class Action documents received by us on behalf of the Funds we manage, we will ensure that the Funds either participate in, or opt out of, any class action settlements received. We will determine if it is in the best interest of the Funds to recover monies from a Class Action.

## **Item 18 - Financial Information**

We have never filed for bankruptcy and are not aware of any financial condition that is expected to affect our ability to manage client accounts. Per SEC guidelines, we are not required to and do not receive an annual audit of our financial statements.