



**PALISADE CAPITAL MANAGEMENT, L.L.C.**

One Bridge Plaza North  
Suite 695  
Fort Lee, New Jersey 07024

Telephone: (201) 585-7733

Fax: (201) 585-7552

Email: [info@palcap.com](mailto:info@palcap.com)

Web Address: <https://www.palisadecapital.com>

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**This brochure provides information about the qualifications and business practices of Palisade Capital Management, L.L.C., an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us at (201) 585-7733 or via email at [info@palcap.com](mailto:info@palcap.com). The information in this brochure has not been approved or verified by the SEC or by any state securities authority. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.**

**Additional information about Palisade Capital Management, L.L.C. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our Firm’s CRD number is 104581.**

## ITEM 2 MATERIAL CHANGES

Palisade Capital Management, L.L.C. (“Palisade” or the “Firm”) made the following material changes to its brochure since our last annual update dated March 28, 2019:

### *Palisade Ownership:*

The Estate of Martin L. Berman was closed and The Berman Family PCM Trust, of which Palisade Co-Chairman, President and Chief Executive Officer Alison Berman is sole trustee, is now a “principal owner” of Palisade because it owns 25% or more of the Firm.

### *Financial Planning:*

Palisade began offering financial planning services through the Firm’s private wealth management program. Financial planning is a comprehensive evaluation of a client’s current and future financial state by using known information and making certain assumptions to predict future cash flows, asset values, and withdrawal plans.

Through the financial planning process, we consider various questions, information, and analyses that impact a client’s financial situation. Palisade gathers information through in-depth interviews and the collection of documentation, including (as appropriate) the client’s current financial status, tax status, future goals, return objectives, and attitudes toward risk. Palisade carefully reviews documents and information supplied by the client and typically prepares a detailed written report that includes our financial plan recommendations. Implementation of financial plan recommendations is at the client’s discretion.

A financial plan typically addresses some or all of the following areas:

- *Personal* – Palisade reviews household budgets, assets, liabilities, estate information, and financial goals.
- *Tax & Cash Flow* – Palisade analyzes the client’s income tax and spending patterns (past, current, and future years) and illustrates the potential impact of various investment strategies on the client’s current and future income streams.
- *Investments* – Palisade analyzes investment alternatives and their potential effect on the client’s portfolio.
- *Retirement* – Palisade analyzes current strategies and investment plans to help the client achieve their retirement goals.

Palisade generally provides financial planning services to private wealth management clients in our standard service package at no additional cost, however Palisade and its clients may agree on alternative methods of calculating fees for financial planning services.

### *Use of Underlying Investments in Private Wealth Management Client Accounts:*

Palisade uses its discretionary authority to invest certain private wealth management client accounts in separately managed accounts and private funds (including, but not limited to, hedge funds and private equity funds) managed by third-party advisers (such third-party managed investments being collectively referred to as “Underlying Investments” and such third-party advisers being collectively referred to as “Underlying Managers”). The cost of such Underlying Investments will be borne by the client and will typically be in addition to fees paid to Palisade.

For Underlying Investments, the Firm’s Due Diligence Committee performs a thorough review of each Underlying Manager’s investment process, track record, and operational resources and processes. The Committee considers numerous factors in evaluating and selecting Underlying Investments, including, but not limited to, investment style and philosophy; the quality of the Underlying Manager’s organization, management, business, and commitment to compliance; the integrity of the Underlying Manager’s team; and the Underlying Investment’s historical performance and portfolio liquidity. Members of our Due Diligence Committee are in regular contact with Underlying Managers, review information received from Underlying Managers, and discuss investment and business performance. The Committee also generally conducts an initial on-site visit and decides when to conduct additional on-site visits to each Underlying Manager.

Although Palisade will seek to select only Underlying Managers who will invest a client’s assets with the highest level of integrity, the Firm’s investment selection process cannot ensure that selected Underlying Managers will perform as desired and the Firm will have no control over the day-to-day operations of the selected Underlying Managers or Underlying Investments. The Firm would not necessarily be aware of certain activities at the Underlying Manager level, including without limitation, an Underlying Manager’s engaging in unreported risks, investment “style drift,” or even regulatory breaches or fraud. As a result, there can be no assurance that Underlying Managers or Underlying Investments selected by the Firm will conform their conduct to the desired standards. There is a risk that Underlying Managers or Underlying Investments may fail to meet their stated objectives or fail to continue as going concerns as a result of poor performance, failure to raise assets, regulatory violations and enforcement actions, fraud, or other factors, which in any case could result in a complete loss of a client’s investment with such Underlying Investment or Underlying Manager. Investments with Underlying Managers or Underlying Investments carry additional risks including, but not limited to, lack of liquidity, lack of diversification, lack of transparency, specific investment risks related to the specific strategy of the Underlying Manager, reliance on Underlying Managers for performance and valuation information, and dependence on key personnel risk.

Please review Palisade’s Form ADV in its entirety for a description of all risks associated with Underlying Managers and Underlying Investments.

*Asset-based Compensation for Institutional Focused All Cap Equity Separately Managed Accounts:*

The standard annual investment management fee for institutional focused all cap equity separately managed accounts (based on the value of the client's assets under management) was revised as follows:

<u>Investment Management Fee</u> <u>(as an Annual % of Assets)</u>	<u>Assets in the Account</u>
0.70%	First \$50,000,000
0.60%	Next \$50,000,000
0.50%	Balance over \$100,000,000

*Asset-based Compensation for Institutional Convertible Securities Separately Managed Accounts:*

The standard annual investment management fee for institutional convertible securities separately managed accounts (based on the value of the client's assets under management) was revised as follows:

<u>Investment Management Fee</u> <u>(as an Annual % of Assets)</u>	<u>Assets in the Account</u>
0.70%	First \$50,000,000
0.65%	Next \$50,000,000
0.55%	Balance over \$100,000,000

*Asset-based Compensation for Institutional Short Duration Convertible Bonds Separately Managed Accounts:*

The standard annual investment management fee for institutional short duration convertible bonds separately managed accounts (based on the value of the client's assets under management) was revised as follows:

<u>Investment Management Fee</u> <u>(as an Annual % of Assets)</u>	<u>Assets in the Account</u>
0.70%	First \$50,000,000
0.65%	Next \$50,000,000
0.55%	Balance over \$100,000,000

Private wealth management separately managed account clients whose assets are invested in an institutional investment strategy managed by Palisade will generally pay fees pursuant to the private wealth management separately managed account fee schedule (and not the institutional strategy fee schedule).

*Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategies:*

Palisade added the following risk factors to Item 8.B.:

**Political Uncertainty.** Some of the results of recent elections and referenda around the world have been unexpected and resulted in material market changes and increases in market uncertainty. The future of current regulations, or the adoption of new regulations, is also uncertain. These uncertainties may have adverse impacts on or, alternatively, create investment opportunities for Palisade's portfolios.

**Risk of Natural Disasters, Epidemics, and Terrorist Attacks.** Countries and regions in which Palisade portfolios invest, where Palisade has offices, or where Palisade otherwise does business are susceptible to natural disasters (*e.g.*, fire, flood, earthquake, storm, and hurricane) and epidemics, pandemics, or other outbreaks of serious contagious diseases. The occurrence of a natural disaster or epidemic could adversely affect and severely disrupt the business operations, economies, and financial markets of many countries (even beyond the site of the natural disaster or epidemic) and could adversely affect Palisade's investment program or its ability to do business. In addition, terrorist attacks, or the fear of, or the precautions taken in anticipation of such attacks could, directly or indirectly, materially and adversely affect certain industries in which Palisade portfolios invest, or could affect the countries and regions in which Palisade portfolios invest, where Palisade has offices, or where Palisade otherwise does business. Other acts of war (*e.g.*, war, invasion, acts of foreign enemies, hostilities, and insurrection, regardless of whether war is declared) could also have a material adverse impact on the financial condition or industries or countries in which Palisade portfolios invest.

*Prime Broker/Custodian Relationships:*

Palisade Strategic Master Fund (Cayman) Limited and Palisade Long Short Alpha Master Fund (Cayman) Limited concluded their prime brokerage and custodial relationships with Fidelity Prime Services, a part of Fidelity Capital Markets (a division of National Financial Services LLC, a Fidelity Investments company). Palisade Long Short Alpha Master Fund (Cayman) Limited established a new custodial relationship with Fidelity Clearing & Custody Services.

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## ITEM 4 ADVISORY BUSINESS

Palisade Capital Management, L.L.C., a New Jersey limited liability company (“Palisade” or the “Firm”), is an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”) with its principal place of business located in New Jersey. Palisade began conducting business in 1995. Please note that registration with the SEC does not imply a certain level of skill or training.

### A. General Description of Advisory Firm

#### *Our History*

Palisade was founded in 1995 by Martin L. Berman, Steven E. Berman, and Jack Feiler. Dennison “Dan” T. Veru worked with the team from 1986 to 1992 and joined Palisade in 2000. Alison A. Berman joined the team in 2011, holding various positions until her promotion to President and Chief Executive Officer upon Martin Berman’s death in 2018. Today, Palisade’s Board of Directors, Operating Committee, and senior management team continue to emphasize our core investment approach as the Firm strives to think, invest, and treat its clients in a manner that is fundamentally different from other asset managers.

Palisade’s investment philosophy of comprehensive, bottom-up, fundamental investing has remained constant for 25 years. The Firm has managed small cap core equity and convertible securities portfolios for institutional investors and private wealth management portfolios for high net worth individuals since the company’s inception. Palisade’s offerings have also expanded and evolved to meet the changing needs of its clients, including the development of alternative investment strategies through private funds. Today, Palisade’s diverse lineup of specialized investment solutions seeks to deliver attractive results to corporations, public plans, financial institutions, family offices, and individuals.

#### *Firm Ownership*

100% of Palisade’s voting equity interests are owned by the Firm’s senior management team (and their families, primarily for estate planning purposes). These membership interests are owned individually and through entities. As of December 31, 2019, one additional non-employee investor owned a \$3 million non-voting preferred interest in the Firm. On January 1, 2020, Palisade redeemed \$1.5 million of the preferred interest, leaving \$1.5 million outstanding. The Berman Family PCM Trust, of which Palisade Co-Chairman, President and Chief Executive Officer Alison Berman is sole trustee, is a “principal owner” of Palisade because it owns 25% or more of the Firm.

### B. Description of Advisory Services

Palisade provides investment supervisory services on a discretionary basis (and offers such services on a non-discretionary basis) to various types of clients as described below. Please refer



to Item 7 for further information on the types of clients to which we provide our investment management services.

### ***Specialized Investment Strategies***

Palisade provides investment management services in the following investment strategies:

**Small cap core equity.** Palisade's small cap core equity strategy seeks to provide attractive risk adjusted returns by utilizing a research-intensive investment process that integrates bottom-up fundamental stock research with a conviction-weighted approach to portfolio construction. We seek to identify high-quality, attractively priced companies that consistently grow revenues, earnings, and free cash flow, with capitalization ranges generally within that of the Russell 2000® Index.

**Focused all cap equity.** Palisade's focused all cap equity strategy seeks to deliver attractive returns by investing in a concentrated portfolio of companies that compound shareholder wealth consistently over time. Palisade focuses on companies' leadership teams and is discerning with regard to the integrity, philosophies, processes, visions, and capabilities of company leadership. Furthermore, the focused all cap equity strategy generally invests in companies that generate superior free cash flow and return on invested capital, and effectively deploy capital to compound shareholder returns.

**Convertible securities.** Palisade's long-only convertible securities portfolios invest in convertible bonds and convertible preferred equity securities with the objective of capturing a significant portion of the upside return of equities (approximately 70%) while seeking to limit the downside exposure to the underlying equities (approximately 50%). We attempt to achieve this objective by trying to take advantage of two inefficiencies in the marketplace: mispriced stocks and mispriced convertibles.

**Short duration convertible bonds.** Palisade's short duration convertible bonds strategy seeks to generate asymmetric returns by investing in short-term domestic convertible bonds (defined as having a maturity or put date within three years or less from the date of purchase) within select price parameters. Palisade believes these securities are an under-utilized asset class and that a portfolio composed of short-term convertible bonds may offer investors liquid, low beta, low volatility-type exposures. The investment team seeks to invest in bonds that have a strong likelihood of repayment at maturity or put date and craft portfolios having overall attractive upside/downside capture ratios, attractive yields, and strong cash flows. Investment returns are expected to be driven by the optionality inherent in short-term, out-of-the-money convertibles while the structural benefits of a short duration portfolio priced near par value seek to enhance capital preservation.

**Hedged convertibles.** Palisade's hedged convertibles strategy seeks to achieve attractive returns with lower volatility. Hedged convertibles portfolios generally seek to achieve capital appreciation predominantly by employing strategies that profit by extracting inefficiencies in the

valuation of convertible securities. Palisade determines these inefficiencies based on fundamental views of the underlying equities and credits of convertible issuers. The hedged convertibles strategy typically entails the purchase of convertible bonds, preferred stocks, or warrants that are deemed to be undervalued in conjunction with the simultaneous short sale of the common stock and/or options into which they are convertible and, conversely, the short sale of convertible bonds, preferred stocks, or warrants that are deemed to be overvalued in conjunction with the simultaneous purchase of the common stock and/or options into which they are convertible. Portfolios seek to generate low correlated returns with low volatility and with an emphasis on risk management. Investment in Palisade's hedged convertibles strategy is available only to certain accredited and/or qualified sophisticated investors.

**Private equity.** Palisade serves as the investment adviser to four private equity partnerships which seek to achieve attractive total returns through investments in small to middle market private and out-of-favor small capitalization public companies that represent "special situations" or growth opportunities. These partnerships pursue control and minority investments in amounts ranging from approximately \$2 million to \$20 million (at the time of investment) in companies where Palisade believes substantial value can be added by the expertise of its investment professionals or through its extensive network of professional contacts. Investments are generally structured in the form of registered or unregistered equity or equity-linked securities, such as convertible preferred stock, subordinated debt (secured or unsecured) with warrants, and/or common stock. Investments in Palisade's private equity partnerships are available only to accredited and/or qualified sophisticated investors. At the current time, all of Palisade's private equity partnerships are closed to new investments and not offering the sale of new limited partnership interests. This does not limit Palisade's ability to offer the sale of additional limited partnership interests in its existing funds in the future, or to create and offer limited partnership interests in new private equity partnerships or other funds in the future.

**Hedged equity.** Palisade's hedged equity strategy seeks to preserve capital and generate attractive returns by (i) constructing a portfolio modeled on Palisade's small cap core equity strategy (as described above) and (ii) applying portfolio hedging and return-enhancement techniques based on market conditions that seek to reduce volatility and downside risk and, as a result, improve capital preservation, increase returns, and further enhance the historically favorable upside/downside asymmetric return profile of the small cap core equity strategy.

### ***Types of Account Vehicles and Services***

Palisade offers to our clients the following types of advisory account vehicles. Please note that not all account vehicles are available to all investors:

**Separately Managed Accounts – Generally.** Palisade provides continuous advice to institutional and individual private wealth management clients through separately managed accounts. We manage these accounts on a discretionary basis. Account supervision is guided by the client's stated objectives, as well as tax considerations, if applicable. Clients can impose reasonable restrictions on investing in specific securities, types of securities, or industry sectors. Our

investment recommendations generally include advice regarding the following types of investments (however not all investment strategies will incorporate all of the types of investments listed below):

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Municipal securities
- Mutual fund shares
- Exchange Traded Funds (“ETFs”)
- United States governmental securities
- Options contracts on securities
- Options contracts on commodities
- Separately managed accounts and private funds (including, but not limited to, hedge funds and private equity funds) managed by third-party advisers (such third-party managed investments being collectively referred to as “Underlying Investments” and such third-party advisers being collectively referred to as “Underlying Managers”).

Because some types of investments involve certain additional degrees of risk, they will only be implemented and/or recommended when consistent with the client’s stated investment objectives, tolerance for risk, liquidity, and suitability.

**Institutional Separately Managed Accounts.** Palisade offers separately managed accounts on a discretionary basis to institutional clients in the following strategies, as described above:

- Small cap core equity
- Focused all cap equity
- Convertible securities
- Short duration convertible bonds
- Hedged convertibles
- Hedged equity

**Private Wealth Management Individual Separately Managed Accounts.** Palisade offers private wealth management services on a discretionary basis to high net worth individuals through separately managed accounts, based on the individual needs of the client. Through personal discussions that establish goals and objectives based on a client’s particular circumstances, we develop a client’s individual investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client’s objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client’s prior investment history, as well as family composition and background. Private wealth management separately managed account portfolios generally include the securities of individual issuers,

however accounts may also utilize mutual funds, ETFs, and/or investments in Underlying Investments (each of which may utilize a selection of the other asset classes described in Item 8 of this Brochure) to obtain an appropriate level of diversification. In some cases, private wealth management separately managed accounts may exclusively own mutual funds, ETFs, and/or investments in Underlying Investments. Based on the client's goals and risk tolerance, the client will typically select one of the following investment objectives:

- *Growth* – Palisade will seek to generate long-term capital appreciation. Portfolios will emphasize equity investments but may also utilize a selection of the other asset classes described in Item 8 of this Brochure, with a focus on those that provide the most potential for long-term capital appreciation.
- *Preservation of Principal / Income* - Palisade will seek to preserve principal while generating current income. Portfolios will emphasize fixed income investments but may also utilize a selection of the other asset classes described in Item 8 of this Brochure, with a focus on investments that generate current yield.
- *Balanced / Conservative Growth* - Palisade will seek long-term capital appreciation and the generation of current income. Portfolios may utilize a selection of the asset classes described in Item 8 of this Brochure to balance the opportunity for long-term growth with income generation.

Additionally, certain private wealth management separately managed accounts may be invested in Palisade's institutional investment strategies as described in Item 4 of this Brochure.

**Financial Planning.** Palisade provides financial planning services through the Firm's private wealth management program. Financial planning is a comprehensive evaluation of a client's current and future financial state by using known information and making certain assumptions to predict future cash flows, asset values, and withdrawal plans.

Through the financial planning process, we consider various questions, information, and analyses that impact a client's financial situation. Palisade gathers information through in-depth interviews and the collection of documentation, including (as appropriate) the client's current financial status, tax status, future goals, return objectives, and attitudes toward risk. Palisade carefully reviews documents and information supplied by the client and typically prepares a detailed written report that includes our financial plan recommendations. Implementation of financial plan recommendations is at the client's discretion.

A financial plan typically addresses some or all of the following areas:

- *Personal* – Palisade reviews household budgets, assets, liabilities, estate information, and financial goals.

- *Tax & Cash Flow* – Palisade analyzes the client’s income tax and spending patterns (past, current, and future years) and illustrates the potential impact of various investment strategies on the client’s current and future income streams.
- *Investments* – Palisade analyzes investment alternatives and their potential effect on the client’s portfolio.
- *Retirement* – Palisade analyzes current strategies and investment plans to help the client achieve their retirement goals.

**Mutual Fund Management – Subadvisory Services.** Our Firm, as a sub-adviser, provides discretionary portfolio management services to several mutual fund clients. Each portfolio is designed to meet a particular investment goal. Palisade currently provides these services to the following mutual funds (the “Mutual Funds”), all of which are registered under the Investment Company Act of 1940:

- 1290 VT Convertible Securities Portfolio
- 1290 Convertible Securities Fund
- State Street Institutional Small-Cap Equity Fund
- State Street Small-Cap Equity V.I.S. Fund

As an investment sub-adviser to each of the Mutual Funds, Palisade is responsible for providing investment management services only for our allocated portion of assets for each Mutual Fund. Palisade’s investment teams utilize the institutional investment strategies described above (as applicable) when providing subadvisory services to Mutual Funds. Investors interested in investing in mutual funds subadvised by Palisade should refer to each Mutual Fund’s prospectus and Statement of Additional Information (“SAI”) for important information regarding objectives, investments, time-horizon, risks, fees, and additional disclosures. These documents are available as follows:

- For the 1290 VT Convertible Securities Portfolio:  
<http://www.axa-equitablefunds.com/AllPortfolios.aspx>  
This portfolio is available only through variable products issued by unaffiliated entities.
- For the 1290 Convertible Securities Fund:  
<http://1290funds.com/1290-convertible-securities-fund.php>
- For the State Street Institutional Small-Cap Equity Fund:  
<https://am.ssga.com/ExternalWar/funds/getOverviewTabInfo.action?fundCode=ZWCK>
- For the State Street Small-Cap Equity V.I.S. Fund:  
<https://am.ssga.com/ExternalWar/funds/getOverviewTabInfo.action?fundCode=ZWDK>  
This portfolio is available only through variable products issued by unaffiliated entities.

Prior to making an investment in any of the Mutual Funds, investors and prospective investors should carefully review these documents for a comprehensive understanding of the terms and conditions applicable for investment in the Mutual Funds.

**Collective Investment Fund Management – Subadvisory Services.** SEI Trust Company (the “SEI Trustee”) has retained the Firm to provide continuous investment advisory and administrative services to the SEI Trustee with respect to the management of the Palisade Capital Master Collective Investment Trust (the “Master Trust”). The Master Trust is a bank-maintained trust that holds the commingled assets of certain participating qualified corporate and governmental retirement plans, including certain defined benefit and defined contribution plans (“Eligible Plans”). Palisade presently serves as the investment adviser to the following separate investment portfolio of the Trust (each a “Collective Fund”), and may advise additional investment portfolios of the Trust in the future:

- Palisade Capital Small Cap Core Collective Fund

Palisade’s Small Cap Core investment team utilizes the institutional investment strategy described above when providing advisory services to the Collective Fund of the Master Trust. Eligible Plans interested in investing in the Master Trust should refer to the Master Trust’s Declaration of Trust and Disclosure Memorandum for important information regarding objectives, investments, time-horizon, risks, fees, and additional disclosures. Prior to making an investment in a Collective Fund, investors and prospective investors should carefully review these documents for a comprehensive understanding of the terms and conditions applicable for investment in a Collective Fund.

**Private Funds: Hedge Fund and Private Equity Partnership Portfolio Management.** Palisade provides continuous advice on a discretionary basis to (i) Palisade Strategic Master Fund (Cayman) Limited and its affiliated feeder entities Palisade Strategic Fund (Cayman) Limited and Palisade Strategic Fund (Domestic) LLC (collectively, the “Strategic Fund”), a private hedge fund utilizing the hedged convertibles investment strategy described above and described in the Strategic Fund’s private placement offering memorandum and (ii) Palisade Long Short Alpha Master Fund (Cayman) Limited and its affiliated feeder entity Palisade Long Short Alpha Fund (Domestic) LLC (collectively, the “LS Alpha Fund”), a private hedge fund utilizing the hedged equity investment strategy described above and described in the LS Alpha Fund’s private placement offering memorandum. Investments in the Strategic Fund and LS Alpha Fund are available only to accredited and/or qualified sophisticated investors and certain Palisade employees.

Our Firm also acts as the investment adviser to four private equity partnerships (collectively, the “Private Equity Funds”, and together with the Strategic Fund, the LS Alpha Fund, and AAIF (as defined below), the “Private Funds”):

- Palisade Private Partnership II, L.P.
- Palisade Concentrated Equity Partnership, L.P.
- Palisade Concentrated Equity Partnership II, L.P.



- Palisade Medical Equity I, L.P.

The Private Equity Funds are each private investment funds available to accredited and/or qualified sophisticated investors only. The Private Equity Funds utilize the investment strategy described under “Private Equity” above (and as described more fully in each of the Private Equity Funds’ respective private placement offering memorandum). Palisade affiliates serve as the general partner of each Private Equity Fund.

Investments in the Strategic Fund, the LS Alpha Fund, and each of the Private Equity Funds involve a higher degree of risk than investments in the separately managed accounts (other than hedged convertibles and hedged equity separately managed accounts), the Collective Funds, or the Mutual Funds described above. For example, client investments in the Strategic Fund, LS Alpha Fund, and Private Equity Funds are less liquid. The Strategic Fund utilizes and the LS Alpha Fund may utilize leverage and employ trading strategies involving a higher degree of risk such as short selling and options. Though the Strategic Fund’s and LS Alpha Fund’s performance is intended to be less volatile as a result of the hedging strategies employed by each fund’s respective portfolio manager(s), there can be no guarantee the hedging strategies will work as intended. The Private Equity Funds invest in the registered and unregistered equity and debt of a limited portfolio of companies and have a higher degree of risk due to their illiquidity and lack of diversification. Please see Item 8 below for an additional description of the risks associated with investing in the Strategic Fund, the LS Alpha Fund, or the Private Equity Funds.

**Proprietary Accounts.** Palisade may from time to time provide investment management services for proprietary accounts funded with seed capital of Palisade’s equity holders and/or other Palisade employees. Such accounts are utilized by the Firm to investigate and/or develop investment strategies that may be offered to Palisade’s clients in the future. Certain of Palisade’s employees, consultants, temporary workers, and interns retained/employed by the Firm having access to confidential client portfolio holdings information (or securities under consideration for client purchase) (all of whom are considered to be “Supervised Persons”) also invest in the Strategic Fund, the LS Alpha Fund, and in the general partners of the Private Equity Funds, if qualified to do so. Additionally, Palisade has established the Axe-Houghton® Associate Investment Fund, LLC (“AAIF”) as a private fund to serve as an investment vehicle for Palisade’s Supervised Persons to invest in the Firm’s small cap core equity and focused all cap equity investment strategies (each as described in Item 4 of this Brochure). Palisade also incubates new investment strategies in AAIF that are not yet made available to the public. AAIF may trade alongside Palisade client accounts utilizing the “Bunch Trade” procedures described in Section B in Item 12 of this Brochure. Investment in AAIF is available solely to certain qualified Palisade Supervised Persons and their respective household family members (or entities owned or controlled exclusively by such Supervised Persons and/or their household family members). For purposes of the foregoing, “household family members” means the spouse (or the equivalent, *e.g.*, domestic partner) and children of a Palisade Supervised Person who lives in the same residence as the Supervised Person.

Palisade serves as the Managing Member of, and investment manager to, AAIF, and receives no management or performance fee in connection for providing such services. Please see Item 5 of this Brochure for more information.

Palisade's management of a proprietary account, like AAIF, alongside client accounts creates numerous conflicts of interest. Please see Section F in Item 4, Item 10, and Section B in Item 11 of this Brochure for further information.

### **C. Availability of Tailored Services for Individual Clients**

Palisade provides advice to client accounts based on specific investment objectives and strategies. Under certain circumstances, Palisade may agree to tailor advisory services for separately managed accounts to the individual needs of its clients. For example, separately managed account clients have the option to impose restrictions on investing in specific securities or certain types of securities.

### **D. Wrap Fee Programs**

Our Firm provides investment management services as a portfolio manager to a sponsored program (and may provide such services to additional sponsored programs in the future) under which a client (i) enters into an agreement with a bank, a registered broker/dealer, or a financial service organization (each, a "Wrap Fee Sponsor") that may also be registered as an investment adviser under the Investment Advisers Act of 1940 (the "Advisers Act") or (ii) enters into an agreement with both a Wrap Fee Sponsor and Palisade (an arrangement commonly referred to as "dual contract"). Such Wrap Fee Sponsors are not affiliated with Palisade. Under some programs, the Wrap Fee Sponsor charges clients a bundled fee (a "wrap fee") based on a percentage of the market value of the account, which generally covers portions of or all services for: (i) selection or assistance in the selection of one or more investment advisers participating in the program, (ii) the investment adviser's fee to manage the client's portfolio on a discretionary basis, (iii) brokerage commissions, (iv) acting as custodian for the assets in the client's portfolio which also includes providing the client with trade confirmations and regular statements, (v) periodic evaluation and comparison of account performance, and (vi) continuing consultation on investment objectives. These programs include separately-managed wrap fee accounts and non-discretionary model portfolios. Each wrap fee and model portfolio is designed to meet a particular investment strategy. Depending on the structure of the program, wrap fee programs can be referred to as separately managed account (SMA), dual contract, or unified managed account (UMA) programs.

Palisade manages wrap fee accounts on a discretionary basis and "model" portfolios on a non-discretionary basis. Model portfolios are typically associated with UMAs, where Palisade is responsible for sending portfolio holdings and transactions to the UMA sponsor (but where Palisade is not responsible for effectuating any trades for clients). Account management is generally pursuant to each Wrap Fee Sponsor's stated investment strategy rather than on each client's individual needs. However, some wrap account and dual contract clients have the



opportunity to place reasonable restrictions on the types of investments to be held in their account. Such restrictions are agreed to between the wrap fee client and the Wrap Fee Sponsor.

For providing its services in connection with most wrap fee programs, Palisade receives a portion of the wrap fee charged by the Wrap Fee Sponsor to wrap fee program clients. In the case of dual contract arrangements, clients may pay the investment management fee directly to Palisade.

Palisade's investment recommendations for wrap accounts and model portfolios are generally consistent with our recommendations for separately managed accounts utilizing the same strategy (as described above). One significant exception, however, is with regard to investors in wrap fee programs utilizing Palisade's convertible securities investment strategy (none of which are currently active). Because of regulatory restrictions, such investors will not be eligible to accept allocations of "Rule 144A" securities, which are unregistered securities offerings that are available for purchase only by Qualified Institutional Buyers ("QIBs"). A QIB is an institution that manages at least \$100 million in securities including banks, savings and loans institutions, insurance companies, investment companies, employee benefit plans, or an entity owned entirely by qualified investors. As a result of this restriction, wrap accounts utilizing our convertible securities investment strategy may have a higher concentration of non-Rule 144A securities (and less diversification in the account generally), which results in additional risk to the portfolio.

Information on the wrap-fee program(s) for which Palisade provides investment management services can be found in Schedule D to Palisade's Form ADV, Part 1A, which is periodically updated and available on the SEC's website at <https://adviserinfo.sec.gov>.

#### **E. Client Assets Under Management**

As of December 31, 2019, Palisade had approximately \$3.995 billion of client assets under management, all of which was managed on a discretionary basis.

#### **F. Important Information Regarding Conflicts of Interest**

Like every investment adviser, Palisade and our Supervised Persons are confronted with various actual or potential conflicts of interest when we provide our investment management services. For example, as noted below in Item 5 of this Brochure, Palisade receives both asset-based and incentive compensation (*i.e.*, performance-based) fees for managing different types of client accounts. The side-by-side management of accounts that are charged asset-based and/or incentive-based fees could create an opportunity for Palisade or its Supervised Persons to receive greater fees or compensation from accounts or funds that have an incentive fee structure over accounts or funds that have an asset-based fee structure. As a result, Palisade or its Supervised Persons have an incentive to direct the best investment ideas to, or to allocate, aggregate or sequence trades in favor of, or to otherwise favor (whether in terms of better execution, brokerage commissions, directed brokerage, or otherwise), the account or fund that pays an incentive fee. Please note that performance-based fees could create an incentive for Palisade to recommend investments which

are likely to be riskier or more speculative than those which would be recommended under a different fee arrangement.

Additionally, conflicts of interest can arise from different investment strategies taking varying positions. For example, a concurrent long/short position in the Strategic Fund or the LS Alpha Fund, on one hand, and another client account, on the other hand, could result in a loss to one client based on a decision to take a gain for the other. Client accounts also could be invested in different components of an issuer's capital structure (*e.g.*, different classes of securities of the same issuer, debt securities versus equity interests, senior versus subordinated debt, or privately versus publicly offered investments). Taking concurrent conflicting positions in certain derivative instruments also may result in a loss to one client and a gain for another client. Uncovered option strategies and significant positions in illiquid securities will also result in conflicts of interest for Palisade and its Supervised Persons when managing incentive-fee accounts and funds side-by-side with asset-based fee accounts and funds.

Similar potential conflicts of interest to those described above regarding incentive fee accounts and funds arise when Palisade is managing proprietary accounts or funds for Palisade or its Supervised Persons. Such proprietary accounts or funds include, but are not limited to, AAIF, in which Supervised Persons and certain of their respective family members invest (as described in Section B in Item 4 above). For example, Palisade and its Supervised Persons have an incentive to favor their proprietary accounts and funds over client accounts because of the financial interests that Palisade or its Supervised Persons have in such proprietary accounts.

Examples of other actual or potential conflicts of interest can include, for example:

- Conflicts relating to allocating time and resources between client accounts, and allocation of brokerage commissions, soft dollars, and investment opportunities generally. We have an incentive to favor proprietary accounts or client accounts with performance-based fees or other beneficial compensation arrangements. For further information on our brokerage and allocation policies, and related conflicts of interest, please refer to Item 12 of this Brochure;
- Conflicts relating to investing client assets (including uninvested cash) in investment vehicles in which we, or our related persons, have an interest or serve as adviser or another service provider. We have an incentive to recommend these products. Please refer to Item 10 and Section B in Item 11 of this Brochure for further information;
- Conflicts relating to receipt of compensation or benefits, other than advisory fees. We have an incentive to favor clients or non-clients that provide compensation (including, but not limited to, gifts and entertainment) to us over the interests of our clients who do not provide such compensation. Please refer to Item 14 of this Brochure for further information;

- Conflicts relating to investing in securities recommended to clients and contemporaneous trading of securities (*i.e.*, personal trading) by Palisade and our related persons. We have an incentive to invest or trade in ways that benefit us, or our related persons, over the interests of our clients. Please refer to Item 11 of this Brochure for further information;
- Conflicts relating to cross trades between clients (where Palisade effects a purchase and sale of securities between client portfolios). We have an incentive to favor larger clients over smaller clients because of increased fees paid to Palisade by larger clients. For further information on our brokerage and allocation policies, and related conflicts of interest, please refer to Item 12 of this Brochure;
- Conflicts relating to voting securities held in client accounts when we are delegated the authority to vote proxies. Conflicts may arise from time to time between the interests of Palisade, or our related persons, and our clients. Please refer to Item 17 of this Brochure for further information; and
- Conflicts of interest relating to entertainment, gifts, sitting on boards of directors/trustees, charitable contributions, political contributions, and other relationships with third parties. We have an incentive to favor those with whom we have these relationships. See Section A of Item 11 of this Brochure for further information on our Code of Ethics.

Actual or potential conflicts of interest generally can be addressed in a number of ways, such as one or more of the following, for example:

- Prohibition – we prohibit the conduct that gives rise to the conflict of interest (*e.g.*, insider trading is prohibited under our Compliance Manual);
- Waiver – we give a benefit received to a client (*e.g.*, when we advise a private fund and invest private wealth management separately managed account client assets in that fund, we do not charge the client two advisory fees);
- Delegation – we engage a third-party to act or make a decision (*e.g.*, we engage a proxy voting service);
- Isolation – we construct information barriers to prevent a person from gaining knowledge that gives rise to a conflict (*e.g.*, from time to time we isolate Supervised Persons from certain material non-public information);
- Validation – we establish a benchmark for conduct that is designed to protect client interests or limit the benefit that creates the conflict of interest (*e.g.*, if two Palisade

clients engage in a cross transaction, a third party broker-dealer may be utilized to determine a fair price for the trade);

- Disclosure/Consent – we disclose the conflict of interest to our clients (*e.g.*, we require solicitors to provide disclosure regarding solicitation fees paid to them by Palisade); or
- Setting a De Minimis Threshold – we set a threshold for a benefit that is considered too small to influence conduct, and is therefore permitted (*e.g.*, we set limits on entertainment, gifts, and political contributions under our Compliance Manual).

Palisade has adopted a Code of Ethics as required under SEC rules (please refer to Section A of Item 11 of this Brochure for further information on our Code of Ethics). Palisade also has policies and procedures in place to mitigate and address the above-referenced conflicts of interest. Palisade's policy is to manage incentive-based fee accounts and funds, as well as its proprietary accounts, consistent with applicable law, the client's investment management agreement, and Palisade's management of other client accounts and funds. Palisade has policies and procedures in place which it believes are reasonably designed to treat clients fairly and seek to prevent clients from being systematically favored or disadvantaged. Our compliance policies provide for review and testing of our policies and procedures no less frequently than annually as required by SEC rules. Clients should refer to the other sections of this Brochure noted above for more specific information on conflicts of interest and how they are addressed.

## ITEM 5 FEES AND COMPENSATION

### A. Advisory Fees and Compensation

#### *General Information*

Prospective clients are hereby advised that lower fees for comparable services may be available from other sources.

Palisade generally requires the following minimum account sizes for separately managed accounts in its investment strategies:

<u>Investment Strategy</u>	<u>Minimum Account Size</u>
Small cap core equity	\$3 million
Focused all cap equity	\$1 million
Convertible securities	\$10 million
Short duration convertible bonds	\$10 million
Hedged convertibles	\$50 million
Hedged equity	\$10 million
Private wealth management separately managed accounts	\$3 million (aggregate relationship)

With respect to any client investing in a pooled investment vehicle (such as the Strategic Fund, the LS Alpha Fund, the Collective Funds, or any of the Private Equity Funds), please review the disclosure contained in each fund's offering memorandum, Declaration of Trust, or Disclosure Statement, as applicable, for any initial and/or additional subscription minimums, as well as for a full description of all fees and expenses that will be charged by the fund.

Please note all minimum account size requirements are negotiable and may be waived at our discretion. Additionally, note that certain of Palisade's clients entered into investment management agreements with the Firm prior to the adoption of the above-referenced minimum account size provisions. As a result, minimum account size requirements are likely to differ among clients.

With respect to investment in the Mutual Funds, please refer to each Mutual Fund's prospectus for initial and additional investment requirements, including minimum investment amounts. Please note that each Mutual Fund's sponsor, and not Palisade, establishes the terms of investment in the Mutual Funds. Therefore, Palisade cannot negotiate such minimum investment requirements.

With respect to investment in the Collective Funds, please refer to each Collective Fund's Disclosure Statement and Declaration of Trust for initial and additional investment requirements, including minimum investment amounts. Please note that the SEI Trustee, and not Palisade, establishes the terms of investment in the Collective Funds. Therefore, Palisade cannot negotiate such minimum investment requirements.

If a client account size falls below the minimum requirement due to market fluctuations only, such client will not be required to invest additional funds with Palisade to meet the minimum account size.

### ***Asset-Based Compensation for Separately Managed Accounts***

Palisade charges each client with an institutional separately managed account (including small cap core equity, focused all cap equity, convertible securities, and short duration convertible bond managed accounts), as well as individual private wealth management accounts, an annual investment management fee (the “Annual Fee”) based on the value of the client’s assets under management in accordance with the following fee schedule:

#### Small cap core equity:

<u>Investment Management Fee</u> <u>(as an Annual % of Assets)</u>	<u>Assets in the Account</u>
0.85%	First \$50,000,000
0.75%	Next \$50,000,000
0.70%	Balance over \$100,000,000

#### Focused all cap equity:

<u>Investment Management Fee</u> <u>(as an Annual % of Assets)</u>	<u>Assets in the Account</u>
0.70%	First \$50,000,000
0.60%	Next \$50,000,000
0.50%	Balance over \$100,000,000

#### Convertible securities:

<u>Investment Management Fee</u> <u>(as an Annual % of Assets)</u>	<u>Assets in the Account</u>
0.70%	First \$50,000,000
0.65%	Next \$50,000,000
0.55%	Balance over \$100,000,000

#### Short duration convertible bonds:

<u>Investment Management Fee</u> <u>(as an Annual % of Assets)</u>	<u>Assets in the Account</u>
0.70%	First \$50,000,000
0.65%	Next \$50,000,000
0.55%	Balance over \$100,000,000

Private wealth management separately managed accounts:

<u>Investment Management Fee</u> <u>(as an Annual % of Assets)</u>	<u>Assets in the Account</u>
1.25%	First \$10,000,000
1.00%	Next \$10,000,000
0.90%	Next \$10,000,000
0.75%	Next \$10,000,000
0.60%	Balance over \$40 million

Investment management fees for private wealth management separately managed accounts are charged each quarter in arrears and are based on the total market value of the assets in the client account (including net unrealized appreciation or depreciation of investments and cash, cash equivalents, and accrued interest and dividends) on the last day of the quarter, utilizing the pricing table above. If a new client account is established during a quarter, the investment management fee will be prorated for the number of days remaining in the quarter. “Prorated” means “proportional share”. For example, if an account was opened on the fifteenth day of a thirty-day month, the “prorated” fee charged would be one-half (15/30) of the regular full monthly fee. If a client’s investment management agreement is terminated during a quarter, the fee for the terminal period will be based on the value of all assets in the account as of the termination or withdrawal date, which will be the next earliest business day if the termination date is a non-business day. Account assets that are withdrawn during a quarter will generally be charged a prorated fee based upon the number of days the assets were in the account during the quarter (unless otherwise set forth in the account’s investment management agreement with Palisade).

Institutional small cap core equity, focused all cap equity, convertible securities, and short duration convertible bonds separately managed accounts may be billed on a quarterly basis either in advance or in arrears, depending on the agreement between the client and Palisade. The value of the assets under management upon which the investment management fee is based is calculated either by Palisade’s internal accounting system or by the client’s account custodian and, generally, includes the account’s net unrealized appreciation or depreciation of investments and cash, cash equivalents, and accrued interest and dividends. Fees on accounts opened or closed during a quarter will be prorated as described above (or as otherwise set forth in the client’s investment management agreement).

Palisade clients whose assets are invested by Palisade in a Private Fund managed by Palisade will pay only those fees charged to investors by such Private Funds and will not be charged an additional portfolio management fee for Palisade’s services (*i.e.*, the value of the client’s investment in the Private Fund will be excluded from our quarterly portfolio management fee calculation). Private wealth management separately managed account clients whose assets are invested in an institutional investment strategy managed by Palisade will generally pay fees pursuant to the private wealth management separately managed account fee schedule (and not the institutional strategy fee schedule).

At its discretion, Palisade pays for expenses allocated to a managed account. Managed accounts that do not pay expenses will benefit from services paid for by the Private Funds, the Firm, and/or other managed accounts.

### ***Performance-Based Compensation for Separately-Managed Accounts***

Palisade offers performance-based compensation (“Performance-Based Fees”) as an alternative to, or in combination with, asset-based compensation for institutional small cap core equity, focused all cap equity, hedged equity, convertible securities, and short duration convertible bond accounts. Performance-Based Fees are generally based on the difference between a client’s account performance and that of an appropriate index; however, Palisade and its clients may agree on alternative methods of calculating such Performance-Based Fees.

On a case-by-case basis, Palisade and our clients mutually agree upon an appropriate fee structure based on the size, complexity, and investment objectives of the client’s account. Fee arrangements may include a combination of a management fee and performance fee, or may be solely limited to an asset-based management fee or a performance-based fee. The terms and conditions of the fee structure are agreed upon with our client prior to entering into an Investment Management Agreement but generally are structured as a percentage of the account’s outperformance over a stated benchmark, subject to a “high water mark”, plus a fixed asset-based fee typically ranging from 0.35% to 2% of the account’s assets. A “high water mark” prevents client accounts from paying a Performance-Based Fee until the account’s value surpasses the asset value upon which previous Performance-Based Fees were charged. Actual fees will be disclosed to the client before entering into this type of arrangement and will be detailed in the client’s Investment Management Agreement with Palisade. Clients who elect to terminate their contracts with Palisade prior to the conclusion of a performance-fee measurement period will generally be charged a Performance-Based Fee based on the performance of the account for the measurement period prior to the termination date and prorated from the date on which the Performance-Based Fee was previously assessed by Palisade; however, alternative fee calculations may be agreed upon between the Firm and the client. In measuring the client’s assets for the calculation of Performance-Based Fees, Palisade generally includes the realized capital losses and unrealized capital losses of securities over the measurement period and, if the unrealized capital appreciation of the securities over this period is included, the unrealized capital depreciation of securities over the period will also be included.

Performance-Based Fees are generally billed annually, in arrears; however, Palisade may enter into customized pricing structures with clients on a case-by-case basis.

Palisade requires all clients to understand the proposed method of compensation payable to Palisade, and its risks, prior to entering into an Investment Management Agreement with the Firm. Accordingly, clients paying Performance-Based Fees are directed to Item 6 of this Brochure for more comprehensive disclosures, including potential conflicts of interest, resulting from this type of compensation.



To qualify for a Performance-Based Fee schedule, a client must either demonstrate a net worth of at least \$2,100,000 excluding their primary residence or must have at least \$1,000,000 under management with Palisade. All Performance-Based Fees are charged in accordance with Section 205 and Rule 205-3 under the Advisers Act and/or applicable State regulations. Performance-Based Fees will not be offered to any client residing in a State in which such fees are prohibited.

### ***Wrap Fee and Model Portfolio Management Fees***

The pricing schedule and general payment terms received by Palisade for investment management services for wrap fee accounts and model portfolios are set forth in the investment management agreement between Palisade and each Wrap Fee Sponsor (or, in the case of dual contract arrangements, in the investment management agreement between Palisade and the client). Palisade is generally compensated directly by the Wrap Fee Sponsor of each program (or by the client in a dual contract arrangement) on the basis of a fee calculated as a percentage of assets under management. This fee is generally negotiated between the dual contract client or Wrap Fee Sponsor and Palisade and depends on many factors, including but not limited to, the investment and/or trading strategy. Presently, Palisade collects investment management fees from Wrap Fee Sponsors ranging from 0.35% to 0.60% of assets under management per year, typically under a tiered fee structure as described above under “Asset Based Fees for Separately Managed Accounts”. Exact pricing information for wrap fee accounts should be obtained directly from the Wrap Fee Sponsor.

### ***Mutual Fund Management Fees***

Palisade charges an asset-based fee for investment management subadvisory services provided to Mutual Funds. The fee arrangement, termination, and refund policies of each Mutual Fund are described in each Mutual Fund’s prospectus and SAI. Palisade clients whose assets are invested by Palisade in any of the Mutual Funds advised or sub-advised by the Firm will pay only those fees charged to investors by the Mutual Fund and will not be charged an additional portfolio management fee for Palisade’s services (*i.e.*, the value of the client’s investment in the Mutual Fund will be excluded from our quarterly portfolio management fee calculation).

All fees paid to Palisade for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. Mutual Fund fees and expenses are described in each fund’s prospectus and, generally, include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. Palisade does not receive any of such fees (other than a portion of the management fee). A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our Firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client’s financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

### ***Collective Investment Fund Management Fees***

Palisade charges an asset-based fee for investment management subadvisory services provided to Collective Funds. Please see each Collective Fund's Declaration of Trust and Disclosure Memorandum for complete information on fees and expenses charged by such Collective Fund (a summary of which is provided below). Palisade clients whose assets are invested by Palisade in any of the Collective Funds subadvised by the Firm will pay only those fees charged to investors in the Collective Fund and will not be charged an additional portfolio management fee for Palisade's services (*i.e.*, the value of the client's investment in the Collective Fund will be excluded from our quarterly portfolio management fee calculation). Clients may invest in the Collective Funds directly, without our services. In that case, the client would not receive the services provided by our Firm which are designed, among other things, to assist the client in determining which Collective Fund or Funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the Collective Funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

All fees paid to Palisade by the SEI Trustee for investment advisory services are separate and distinct from the fees and expenses charged by Collective Funds to their investors. These fees and expenses are fully described in each fund's Declaration of Trust and Disclosure Memorandum. Generally, each class of units issued by a Collective Fund is subject to an annual management fee, accrued daily and paid monthly in arrears, for the trustee, management, and administrative services provided by the SEI Trustee (including fees paid to Palisade as investment adviser or other third party agents retained by the SEI Trustee). The SEI Trustee may also assess distribution fees or other sales charges (none of which will be paid to Palisade). The management fee, which is payable to the SEI Trustee, is based on the total net assets as determined at the end of each preceding business day.

### ***Hedge Fund, Private Equity Fund, Other Private Fund, and Hedged Convertibles Managed Account Management Fees***

Palisade generally charges investors in the Strategic Fund, the LS Alpha Fund, the Private Equity Funds, and separately managed accounts utilizing the hedged convertibles or hedged equity investment strategy an annual management fee ranging from 1% to 2% of assets under management plus a Performance-Based Fee ranging from 15% to 25% of the account's outperformance over a stated benchmark (subject, in some cases, to a hurdle rate and high water mark), as further described in the Strategic Fund's, the LS Alpha Fund's and each Private Equity Fund's respective offering documents. Management fees for the Private Equity Funds, the Strategic Fund, and the LS Alpha Fund are paid quarterly in advance, and management fees for managed accounts utilizing the hedged convertibles and hedged equity strategy, if any, are typically paid quarterly in arrears. Management fees are deducted from the gross amount invested by the Private Fund investor or managed account client (as the case may be), while Performance-

Based Fees are charged at the end of the measurement period to which such fee relates (generally annually at the end of the calendar year).

Palisade also serves as the Managing Member of, and investment manager to, AAIF, and receives no management or Performance-Based Fees in connection with providing such services. Additionally, Palisade will pay or reimburse each class of AAIF interests for any annual operating expenses in excess of 0.20% of such class's aggregate net asset value as of the last day of each calendar year. Operating expenses with respect to a class will be allocated at the end of each calendar quarter (or at such other times when a valuation is performed in accordance with the terms of AAIF's Operating Agreement).

### ***Limited Negotiability of Advisory Fees***

Although Palisade has established the aforementioned fee schedule(s) and pricing structures, we retain the discretion to negotiate alternative fees on a client-by-client or investor-by-investor basis. Client/investor facts, circumstances, and needs are considered in determining the fee schedule. Relevant factors in pricing decisions include (but are not limited to) the complexity of the client/investor, assets to be placed under management, anticipated future additional assets, related accounts from the client/investor or persons related to the client/investor, portfolio style, account composition, and reports required by the client/investor, among other factors. The specific annual fee schedule charged by Palisade will be identified in the Investment Management Agreement between Palisade and each client, and/or the governing documents and/or side letters of the Private Funds or Wrap Fee Sponsor, as applicable. Discounts not generally available to advisory clients or investors may be offered to family members and friends of associated persons of our Firm. Once Palisade enters into an Investment Management Agreement with a client or investor, Palisade will only modify its fee as permitted under that agreement and applicable law.

### ***Financial Planning Fees***

Palisade generally provides financial planning services to private wealth management clients in our standard service package at no additional cost, however Palisade and its clients may agree on alternative methods of calculating fees for financial planning services.

## **B. Payment of Fees**

Palisade's institutional and separate account clients can elect to either have investment management fees (i) automatically deducted from their account or (ii) invoiced and paid by the client without automatic deduction. Private Fund investment management fees are automatically deducted from each investor's account as described in each Private Fund's respective confidential offering memoranda. Palisade typically deducts investment management fees from individual private wealth management separately managed account clients on a quarterly basis by instructing the account's custodian to do so and notifying the client of such deduction. Except as described above, Palisade typically does not deduct the investment management fee from client accounts. Rather, the Firm invoices such clients on a quarterly basis.

### C. Other Fees and Expenses

In addition to paying investment management fees and, if applicable, Performance-Based Fees, separately managed account clients will also generally be subject to other investment expenses such as custodial charges, brokerage fees, commissions, interest expenses, taxes, duties, and other governmental charges, transfer, and registration fees or similar expenses, and costs associated with foreign exchange transactions, among other portfolio expenses. Further, client assets may be invested in mutual funds, other registered investment companies, ETFs, or Underlying Investments. In these cases, the client will bear its pro rata share of the investment management fee and other fees of the fund or account (as the case may be), which are in addition to the investment management fee paid to Palisade (except in the case of investments in Palisade-subadvised Mutual Funds, Collective Funds, or Private Funds, for which no additional investment management fee will be charged to the client as discussed above). Please refer to Item 12 of this Brochure for additional information on Palisade's brokerage practices.

Clients participating in wrap fee (including SMA) and model portfolio (including UMA) programs will be charged various program fees by the program sponsor in addition to the advisory fee charged by our Firm. In a wrap fee arrangement, clients typically pay a single fee for advisory, brokerage, and custodial services. Such fees will include the investment advisory fees of the independent advisers, which will be charged as part of a wrap fee arrangement. Client portfolio transactions may be executed by the Wrap Fee Sponsor without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the terms of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately.

Clients that invest in pooled investment vehicles (such as the Strategic Fund, the LS Alpha Fund, and the Private Equity Funds) will bear their pro rata share of the fund's operating and other expenses including without limitation, investment expenses (*e.g.*, brokerage commissions, expenses relating to trading platforms, short sales, clearing and settlement charges, custodial fees, initial and variation margin, storage and warehousing fees, and interest expenses), legal expenses, administrator fees, independent director fees, other professional fees (including, without limitation, expenses of consultants and experts' fees relating to particular investments or general research expenses that relate to actual or likely investment opportunities, including sector-based and company specific research) whether relating to investment research or the pooled investment vehicle's operations, computer software, licensing, programming and operating expenses, internal and external accounting, audit and tax preparation expenses, costs of printing and mailing reports and notices, entity-level taxes, corporate licensing, regulatory expenses (including its *pro rata* share of Palisade's expenses incurred in connection with the preparation of Palisade's Form PF, as applicable), filing fees, organizational expenses, expenses relating to the offer and sale of interests in the pooled investment vehicle, expenses relating to updating disclosure materials or terms of investment, expenses relating to insurance (including directors' and officers' insurance, errors and omissions insurance, and other similar policies), extraordinary expenses (including

indemnification expenses and taxes) and other similar expenses relating to the pooled investment vehicle, each as further described in each private placement offering memorandum (or its equivalent offering documentation).

The Strategic Fund utilizes a master-feeder structure. Feeder funds (such as Palisade Strategic Fund (Domestic) LLC and Palisade Strategic Fund (Cayman) Limited) bear a pro rata share of the expenses associated with the related master fund (in this case, Palisade Strategic Master Fund (Cayman) Limited). The LS Alpha Fund utilizes a similar master-feeder structure. Palisade Long Short Alpha Fund (Domestic) LLC, as the sole feeder fund associated with its related master fund (in this case, Palisade Long Short Alpha Master Fund (Cayman) Limited), bears all the expenses associated with Palisade Long Short Alpha Master Fund (Cayman) Limited. The Strategic Fund and LS Alpha Fund may charge redemption fees under certain circumstances in accordance with the terms of each Private Fund's private placement offering memorandum.

Palisade's hedged convertibles investment strategy may from time to time utilize trading strategies with high portfolio turnover (relative to non-trading driven investment strategies) and, as a result of such turnover, transaction costs could be significant. Such costs will offset client profits. The hedged convertibles strategy will also use margin and leverage to make investments when the portfolio manager believes the potential return of an investment is particularly favorable. The hedged equity investment strategy will use margin to make investments when the portfolio manager believes the potential return of an investment is particularly favorable. The use of leverage has significant risks and can substantially increase the adverse impact to the portfolios. In addition, to the extent the hedged convertibles strategy employs leverage, such portfolios will be subject to the risk that changes in the general level of interest rates may adversely affect expenses and operating results.

At its discretion or pursuant to the terms of investment advisory agreements, Palisade may pay expenses that would otherwise be allocated to a client. Clients that do not pay expenses may benefit from services paid for by other clients or Palisade.

In addition, clients will incur brokerage and other transaction costs. Please refer to Item 12 of this Brochure for a discussion of Palisade's brokerage practices.

#### **D. Prepayment of Fees**

Palisade clients or investors may pay the Firm's investment management fees in advance, as set forth in the terms of their Investment Management Agreement with Palisade or Private Fund governing documents. In this case, clients or investors will obtain a refund of a pre-paid fee by check or wire transfer if their Investment Management Agreement with Palisade is terminated or a withdrawal is made from the account or Private Fund before the end of the billing period. Palisade will generally determine the amount of the relevant refund by pro rating the fee for the number of days the assets were managed, based on the value of all assets in the account as of the effective date of termination or withdrawal, which will be the next earliest business day if the effective date of termination or withdrawal is a non-business day. Under no circumstances do we

require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

#### **E. Additional Compensation**

Certain Palisade Supervised Persons who are registered representatives of Foreside Fund Services, LLC (“Foreside”), a broker-dealer that is unaffiliated with Palisade, may receive compensation for the sale of securities issued by private funds managed by the Firm. This practice presents a conflict of interest and gives Palisade and its Supervised Persons an incentive to recommend investment products based on the compensation received, rather than on an investor’s needs. Clients or investors have the option to purchase investment products recommended by Palisade personnel through other brokers or agents that are not affiliated with Palisade. Please see Section F of Item 4 of this Brochure for further information on conflicts of interest and how they are addressed. Additionally, please see Item 12 of this Brochure for a description of Palisade’s brokerage practices.

Additionally, the Firm may compensate Palisade Supervised Persons for their assistance in bringing a new client or account to the Firm. Please refer to Item 14 of this Brochure for more information on compensation that may be paid to affiliated solicitors.

### **ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Palisade and its investment personnel provide investment management services to multiple portfolios for multiple clients. As disclosed in Item 5 of this Brochure, Palisade contracts with clients for Performance-Based Fees for the Strategic Fund, the LS Alpha Fund, the Private Equity Funds, and certain other client accounts. In addition, many of Palisade’s investment personnel are compensated on a basis that includes a performance-based component. The Firm and its investment personnel, including investment personnel that share in Performance-Based Fees, manage both client accounts that are charged Performance-Based Fees and accounts that are charged an asset-based fee, which is not a Performance-Based Fee. In addition, certain client accounts may have higher asset-based fees or more favorable Performance-Based Fee arrangements than other accounts. When Palisade and its investment personnel manage more than one client account, a potential exists for one client account to be favored over another client account.

Clients should be aware that Performance-Based Fee arrangements can create an incentive for Palisade to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Palisade and its investment personnel have a greater incentive to favor client accounts that pay the Firm (and indirectly Palisade’s investment personnel) Performance-Based Fees or higher fees because compensation we receive from these clients is more directly tied to the performance of their accounts.



Palisade has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. Palisade reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies. In addition, Palisade's procedures relating to the allocation of investment opportunities require that similarly managed accounts generally participate in investment opportunities pro rata based on asset size using equivalent investment weightings, giving consideration to client restrictions, liquidity requirements, and available cash in the accounts, and require that, to the extent orders are aggregated, the client orders are price-averaged. Finally, Palisade's procedures also require the objective allocation for limited opportunities (such as initial public offerings and private placements) to ensure fair and equitable allocation among accounts. These areas are monitored by Palisade's Chief Compliance Officer and the Palisade Compliance Department. Reference should be made to Section F in Item 4 of this Brochure for further information on conflicts of interest resulting from Performance-Based Fees, as well as other conflicts of interest, and how they are addressed. Additionally, please see Item 12 of this Brochure for a description of Palisade's brokerage practices.

## ITEM 7 TYPES OF CLIENTS

Palisade generally provides investment advisory services to the following types of clients:

- High net worth individuals
- Investment companies (including mutual funds)
- Collective investment trusts
- Corporate and government pension and profit-sharing plans (other than plan participants)
- Other pooled investment vehicles (*e.g.*, private funds)
- Trusts and estates
- Charitable organizations, endowments, and foundations
- Corporations or other businesses not listed above
- Trust companies, broker-dealers, and banks
- Insurance companies
- Wrap (including Wrap Fee, SMA, and UMA) account clients (solely to the extent Palisade is acting as a subadvisor to such accounts from time to time)

As previously disclosed in Item 5 of this Brochure, our Firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided.

With respect to any investor investing in a pooled investment vehicle (such as the Mutual Funds, Collective Funds, Strategic Fund, LS Alpha Fund, AAIF, or any of the Private Equity Funds),

please review the disclosure contained in each fund's private placement offering memorandum, prospectus, Declaration of Trust, or Disclosure Memorandum (as the case may be) for any initial and/or additional subscription minimums.

We require clients to enter into an Investment Management Agreement with Palisade. As applicable, we also request clients to provide proof of authority, directed trading letters (if the client requests directed trading), qualified purchaser or accredited investor letters/certificates, or other information to allow us to manage client assets. Investors in Private Funds are required to complete subscription agreements and submit proof of identity, qualified purchaser or accredited investor letters/certificates, and other information required by the respective Private Fund's administrator to allow us to manage investor assets.

Palisade may be restricted by the securities laws of jurisdictions outside the U.S. from managing the assets of certain clients living or located in such jurisdictions.

## **ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

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

Palisade utilizes a variety of methods and strategies when formulating our investment advice and/or managing client assets. Our methods of analysis include, but are not necessarily limited to:

- **Fundamental Analysis.** We look to invest in companies with superior return, and risk characteristics that we believe are not fully reflected in the current price of the security. Our fundamental research focuses on each company's business model, management, financial condition, and industry trends. Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.
- **Qualitative Analysis.** We subjectively evaluate non-quantifiable factors such as quality of management (through meetings with management teams and other methods), labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data. A risk of utilizing qualitative analysis is that our subjective judgment may prove incorrect.
- **Cyclical Analysis.** In this type of technical analysis, we may measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security. A risk of utilizing cyclical analysis is that our subjective judgment may prove incorrect.
- **Quantitative Analysis.** We may use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a security's



price or earnings per share, and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

- **Technical Analysis.** We may analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.
- **Risks for all Forms of Analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.
- **Due Diligence.** For Underlying Investments, our Due Diligence Committee performs a thorough review of each Underlying Manager's investment process, track record, and operational resources and processes. The Committee considers numerous factors in evaluating and selecting Underlying Investments, including, but not limited to, investment style and philosophy; the quality of the Underlying Manager's organization, management, business, and commitment to compliance; the integrity of the Underlying Manager's team; and the Underlying Investment's historical performance and portfolio liquidity. Members of our Due Diligence Committee are in regular contact with Underlying Managers, review information received from Underlying Managers, and discuss investment and business performance. The Committee also generally conducts an initial on-site visit and decides when to conduct additional on-site visits to each Underlying Manager.

Palisade utilizes the investment strategies described in Section B of Item 4 of this Brochure when managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations. Palisade also may implement other customized investment strategies as developed or requested by clients.

For further information on applicable investment strategies and related risks, clients also should refer to:

- Any presentations, investment guidelines, marketing materials, or other documents provided to, or discussions held with, the client, or to any investment guidelines provided by the client (or, in the case of wrap fee program clients, provided in the Wrap Fee Sponsor's brochure or other program documentation); and/or

- For a mutual fund, collective fund, or other pooled investment vehicle, the prospectus or other offering/disclosure document for the mutual fund, collective fund, or other pooled investment vehicle.

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

Palisade utilizes a variety of implementation strategies when managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations. Unless specifically indicated otherwise below, the following material risks relate to each of the investment strategies that we offer:

**Investment and Trading Risks in General; Risk of Loss.** Investing in securities involves risk of loss that clients or investors should be prepared to bear. All investments involve risks, including the risk that the entire amount invested may be lost. Securities investments are not guaranteed and you may lose money on your investment. No guarantee or representation is made that a client's or investor's investment objective will be achieved or that any specific level of performance will be obtained. Past performance is not indicative of future results. Palisade may utilize certain investment techniques and practices that can, in certain circumstances, increase the adverse impact to which an investment portfolio may be subject.

**Securities Believed to Be Undervalued or Incorrectly Valued.** Securities that Palisade believes are fundamentally undervalued or incorrectly valued may not ultimately be correctly valued in the capital markets at prices and/or within the time frame Palisade anticipates. As a result, client or investor portfolios may lose all or substantially all of their investment in any particular instance.

**Interest Rate Risks.** Generally, the value of fixed income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. The risk is greater for long-term securities than for short-term securities.

**Long-term purchases.** Palisade may purchase securities with the idea of holding them in a client's account for a year or longer. Typically, we employ this strategy when we believe the securities to be currently undervalued, and/or when we want exposure to a particular asset class over time, regardless of the current projection for this class. A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, Palisade purchases securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase. A risk in the short-term purchase strategy is that Palisade will incorrectly predict the

performance of a security over a short period of time. Moreover, by holding a security for a short period of time, we may not take advantage of long-term gains that could be profitable to a client.

**Hedged Convertibles and Hedged Equity.** Investment strategies such as hedged convertibles and hedged equity present certain market and other risks, such as the risk that a lack of volatility in the market would result in fewer price anomalies to exploit. The hedged convertibles and hedged equity strategies use trading strategies involving a higher degree of risk such as short selling and options (each as further described below).

In hedged convertibles portfolios, the sensitivity of the price of a convertible security to changes in the price of the underlying stock, commonly known as its delta, is generally less than one. Thus, if a common stock rises by a certain percentage, the related convertible security should rise by a lesser amount. Equally, if a common stock declines, the convertible security should fall by a lesser amount. A hedged convertibles strategy generally further reduces the effect of overall market appreciation or depreciation (market risk) on a given equity security and corresponding convertible debt instrument as a result of the offsetting nature of the matched positions. Nevertheless, a hedged convertibles strategy will still be sensitive to price changes in the underlying security markets. Hedged convertibles is, in essence, a defensive strategy, as it forsakes some of the benefit of a rising market in order to be protective in a declining market. Assuming the underlying convertible issue remains creditworthy, at some point its income or redemption characteristics become more important determinants of its price and further limit its decline relative to the underlying equity.

There are a number of other potential risks associated with a hedged convertibles strategy. Normally, because of its additional yield characteristics, it is necessary for a buyer of convertibles to pay a conversion premium over the underlying equity. There are circumstances when the conversion premium can erode more quickly than anticipated, such as when a takeover bid is announced for the underlying equity or, on occasion, when the convertible security is redeemed. Any one of these factors could prove detrimental to a hedged convertibles portfolio's value or its liquidity. Liquidity of convertibles is not always assured, and there can be periods of temporary market dislocation when prices and hedged convertible positions may be distorted.

In hedged equity portfolios, long positions in securities are taken that are expected to increase in value and short positions in securities are taken that are expected to decrease in value. Options may also be utilized in an effort to either mitigate portfolio downside or enhance portfolio upside. If a long position in a security that is purchased increases in value, the investment makes money. If the short position in a security that is borrowed and sold (which is known as short-selling) declines in value, the investment makes money because the security can be purchased back at a lower price and the security returned. A hedged equity strategy that involves buying an undervalued security and shorting an overvalued security can result in a favorable return on the investments so long as the undervalued security increases in value and the overvalued security decreases in value, or the long position declines in value but nevertheless outperforms the short position.

In addition to general market risk and valuation risk described above, and risks relating to short-selling or particular types of securities (such as, for example, equity securities) as described below, there are a number of other potential risks associated with the hedged equity strategy. For example, if the long and short positions involve securities of companies in the same geographic market or economic sector, market, political, social, economic, and environmental developments affecting such geographic markets or economic sectors can affect the value of the securities. Factors affecting the liquidity of the securities also may affect the frequency in which trades can be effected or the value of the securities. The hedged equity strategy can have high fees and expenses and can result in significant losses. In periods of sharp market declines, long positions could lose more than short positions. There can be no assurance that Palisade will correctly predict the relative performance of the securities in a hedged equity portfolio. Any one of the above factors could prove detrimental to the performance of a hedged equity strategy.

**Underlying Investments.** Palisade may recommend Underlying Investments to clients, some of which will be illiquid and subject to “*Illiquidity of Investments Risks*” as discussed below. Due to the illiquid nature of the assets of certain Underlying Investments, the possibility exists that clients may redeem their investment at a price that does not accurately reflect the value of their investment. In addition, to the extent the Underlying Investments invest in strategies discussed above, the client will be indirectly subject to the risks of such strategies.

No assurance can be given that Palisade will have knowledge of all circumstances that may adversely affect an investment in an Underlying Investment and the Firm’s ability to independently verify information provided by Underlying Investments may be limited. Investment analyses and decisions by Palisade may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the Firm at the time of making an investment decision may be limited, and the Firm may not have access to detailed information regarding the investment opportunity.

Although Palisade will seek to select only Underlying Managers who will invest a client’s assets with the highest level of integrity, the Firm’s investment selection process cannot ensure that selected Underlying Managers will perform as desired and the Firm will have no control over the day-to-day operations of the selected Underlying Managers or Underlying Investments. The Firm would not necessarily be aware of certain activities at the Underlying Manager level, including without limitation, an Underlying Manager’s engaging in unreported risks, investment “style drift,” or even regulatory breaches or fraud. As a result, there can be no assurance that Underlying Managers or Underlying Investments selected by the Firm will conform their conduct to the desired standards. There is a risk that Underlying Managers or Underlying Investments may fail to meet their stated objectives or fail to continue as going concerns as a result of poor performance, failure to raise assets, regulatory violations and enforcement actions, fraud, or other factors, which in any case could result in a complete loss of a client’s investment with such Underlying Investment or Underlying Manager. Investments with Underlying Managers or Underlying Investments carry additional risks including, but not limited to, lack of liquidity, lack of diversification, lack of transparency, specific investment risks related to the specific strategy of

the Underlying Manager, reliance on Underlying Managers for performance and valuation information, and dependence on key personnel risk.

The Underlying Investments will be managed by portfolio managers unrelated to the Firm. Palisade expects to rely upon the expertise of such portfolio managers who oversee the Underlying Investments in connection with their evaluation of proposed investments, and no assurance can be given as to the accuracy or completeness of the information provided by such portfolio managers. Furthermore, the historical performance of portfolio managers is not indicative of their future performance, which can vary considerably. Moreover, Palisade generally will not have the opportunity to evaluate the specific investments made by any Underlying Investment and will not have an active role in the day-to-day management of the Underlying Investments. As a result, a client's returns will depend largely on the performance of these unrelated portfolio managers and could be substantially adversely affected by the unfavorable performance of these portfolio managers. The performance of an Underlying Investment may also rely on the services of a limited number of key individuals, the loss of whom could significantly adversely affect the Underlying Investment's performance.

**Foreign traded and non-dollar-denominated securities.** Foreign securities, or securities traded on foreign markets, can pose additional risks because foreign economic or political conditions may be less favorable than those of the United States. Securities in foreign markets may also be subject to taxation policies that reduce returns for U.S. investors. Foreign companies also may not provide information (including financial statements) as frequently or to as great an extent as companies in the United States, and foreign companies may also receive less coverage than U.S. companies by market analysts and the financial press. In addition, foreign countries may lack uniform accounting, auditing, and financial reporting standards or regulatory requirements comparable to those applicable to U.S. companies. These factors may prevent the obtaining of information concerning foreign companies that is as frequent, extensive, and reliable as the information available concerning companies in the United States. Foreign countries also may have restrictions on foreign ownership of securities or may impose exchange controls, capital flow restrictions, or repatriation restrictions which could adversely affect the liquidity an investment.

Exchange rates for currencies also fluctuate daily. The combination of currency risk and market risks tends to make securities traded in foreign markets more volatile than securities traded exclusively in the United States. While currency risk can be managed by limiting the amount invested in securities denominated in a particular currency, diversification will not protect against a general increase in the value of the U.S. dollar relative to other currencies. Investing in currencies or securities denominated in a foreign currency entails risk of being exposed to a currency that may not fully reflect the strengths and weaknesses of the economy of the country or region utilizing the currency. In addition, it is possible that a currency (such as, for example, the euro) could be abandoned in the future by countries that have already adopted its use, and the effects of such an abandonment on the applicable country and the rest of the countries utilizing the currency are uncertain but could negatively affect investments denominated in the currency. If a currency used by a country or countries is replaced by another currency, the investment would need to be evaluated as to whether it should continue to be held and as to whether purchases should be made

of additional investments denominated in the currency that replaces such currency. Such investments may continue to be held, purchased, or sold, to the extent consistent with applicable investment objectives and restrictions and as permitted under applicable law.

Many countries rely heavily upon export-dependent businesses and any strength in the exchange rate between a currency and the U.S. dollar or other currencies can have either a positive or a negative effect upon corporate profits and the performance of investments in the country or region utilizing the currency. Adverse economic events within such country or region may increase the volatility of exchange rates against other currencies, subjecting investments denominated in such country's or region's currency to additional risks.

**Margin.** Clients may choose to employ margin strategies in eligible nonretirement, non-custodial accounts. Employing margin strategies in advisory accounts is a more aggressive, higher risk approach to pursuing investment objectives. Clients should carefully consider whether the additional risks are affordable prior to employing margin strategies due to the potential to experience significantly greater losses than if not employing margin strategies. The risks associated with investing, as well as costs, may be increased when employing margin strategies, and depending upon the return achieved, may make investment objectives more difficult to realize. Clients pay interest to their account custodian on the outstanding loan balance of their original margin loan. Margin fees are calculated as a percentage of the margin debit; therefore, employing margin strategies to buy securities in advisory accounts generally increases the amount of, but not the percentage of, fees. This results in additional compensation to the account custodian. The decision to leverage advisory accounts is in the sole decision of separate account Clients and should only be made if Clients understand the risks associated with employing margin strategies, the impact the use of borrowed funds may have on their advisory accounts, and how investment objectives may be negatively affected. Specifically, Clients may lose more than their original investments. Likewise, positive or negative performance, net of interest charges and fees, is magnified. Gains or losses are greater than would be the case in accounts that do not employ margin strategies. Clients may not benefit from employing margin strategies if the performance of individual accounts does not exceed interest expenses on the loan. Certain eligibility requirements must be met and documentation must be completed prior to using leverage in advisory accounts. Specifically, Clients are required to execute separate margin agreements.

Additional risks attendant to the hedged convertibles and hedged equity strategies may include:

- **Short Selling of Securities.** Palisade's hedged convertibles strategy engages in short selling of securities. Palisade's hedged equity strategy may engage in short selling of securities. Short selling involves selling securities which are not owned and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the hedged convertibles and hedged equity strategies engage in short sales will depend upon Palisade's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security



could theoretically increase without limit, thus increasing the cost to the portfolio of buying those securities to cover the short position. There can be no assurance that the portfolio will be able to maintain the ability to borrow securities sold short. In such cases, the portfolio can be “bought in” (*i.e.*, forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Additionally, the amounts charged by securities lenders to lend securities may rise dramatically, thus increasing the portfolio’s expenses and adversely impacting investment performance.

- **Leverage; Interest Rates; Margin.** Palisade’s hedged convertibles strategy borrows money to make investments when Palisade believes that the potential return of an investment is particularly favorable. Palisade’s hedged equity strategy is permitted to utilize leverage but typically does not do so. The use of leverage has attendant risks and can substantially increase the adverse impact to which the investment portfolio may be subject. In addition, to the extent a portfolio uses leverage, it is subject to the risk that changes in the general level of interest rates will adversely affect expenses and operating results.
- **Hedging Transactions.** Palisade is not required to attempt to hedge portfolio positions in any of its portfolios (other than in its hedged convertibles and hedged equity strategies) and, for various reasons, may determine not to do so. Furthermore, Palisade may not anticipate a particular risk so as to hedge against it. The hedged convertibles and hedged equity strategies will utilize a variety of financial instruments (including but not limited to options and derivatives), both for investment purposes and for risk management purposes, in order to seek to: (i) protect against possible changes in the market value of the portfolio’s investments resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the unrealized gains in the value of the portfolio’s investments; (iii) facilitate the sale of any such investments; or (iv) enhance or preserve returns, spreads, or gains on any investments in the portfolio. Hedging transactions also may be utilized for any other reason that Palisade deems appropriate.

The success of a portfolio’s hedging strategy is subject to Palisade’s ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolios being hedged. Since the characteristics of many instruments change as markets change or time passes, the success of a portfolios’ hedging strategy is also subject to Palisade’s ability to continually recalculate, readjust, and execute hedges in an efficient and timely manner. While certain portfolios may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the portfolio than if it had not engaged in any such hedging transactions. For a variety of reasons, Palisade may not seek to establish a perfect correlation between such hedging instruments and the portfolio’s holdings being hedged. Such imperfect correlation may expose the portfolio to risk of loss. The successful

utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the portfolio's holdings.

While Palisade's hedged equity portfolios can include both long and short positions (as well as other derivative positions), as described above, individual positions are not hedged. Rather, such portfolios seek to profit from individual positions. While the result of this trading strategy may reduce the volatility of portfolios over time, there is no guarantee that this will occur.

**Counterparty Risk.** Some of the markets in which Palisade effects transactions for its clients' portfolios (in all of its investment strategies) are non-cleared "over-the-counter" or non-cleared "interdealer" markets. The participants in such markets are typically not subject to the same credit evaluation and regulatory oversight as are members of "exchange-based" markets. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, might not be available in connection with such non-cleared "over-the-counter" transactions. This exposes the portfolios to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the portfolio to suffer a loss. Portfolios are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty.

**Highly Volatile Markets.** The prices of derivative instruments, including futures and option prices, can be highly volatile. Price movements of derivative contracts in which a portfolio's assets may be invested 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. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments, futures, and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. Portfolios are also subject to the risk of the failure of any exchanges on which their positions trade or of their clearinghouses.

**Illiquidity of Investments.** Palisade's Private Equity Funds invest a large portion of their assets in instruments that are not publicly traded instruments and, in some cases, may be contractually prohibited from disposing of such instruments for a specified period of time. Other investment strategies may buy securities that while liquid at the time of purchase become less liquid over time. Accordingly, the Private Equity Funds and client accounts in other investment strategies managed by Palisade may be forced to sell their more liquid positions at a disadvantageous time, resulting in a greater percentage of the portfolio consisting of illiquid instruments.

**Frequent Turnover.** Palisade's hedged convertibles strategy utilizes a trading strategy with a high portfolio turnover. Palisade's other investment strategies utilize trading strategies from time



to time resulting in higher portfolio turnover. As discussed under Item 5 of this Brochure, a client account pays transaction costs, such as commissions, when securities are bought and sold for the account (or an account's portfolio "turns over"). As a result of high portfolio turnover, transaction costs will be higher (and even significant), and taxable accounts may incur adverse tax consequences. These factors will offset client profits and affect a client's account performance.

**Cyber Security Risk.** Palisade's portfolios are susceptible to operational, information security, and related risks from cyber security incidents resulting from deliberate attacks or unintentional events, and may include, but are not limited to: gaining unauthorized access to digital systems, misappropriating information or assets, corrupting data, and causing operational disruptions, including denial-of-service attacks on websites. Cyber security failures or breaches by a third party service provider and issuers of securities in which Palisade invests have the potential to cause disruptions and impact business operations, potentially resulting in financial losses, the inability to transact business, violations of applicable privacy and other laws and regulations, regulatory sanctions including penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, including the cost of insurance and measures to prevent cyber incidents.

**Political Uncertainty.** Some of the results of recent elections and referenda around the world have been unexpected and resulted in material market changes and increases in market uncertainty. The future of current regulations, or the adoption of new regulations, is also uncertain. These uncertainties may have adverse impacts on or, alternatively, create investment opportunities for Palisade's portfolios.

**Risk of Natural Disasters, Epidemics, and Terrorist Attacks.** Countries and regions in which Palisade portfolios invest, where Palisade has offices, or where Palisade otherwise does business are susceptible to natural disasters (*e.g.*, fire, flood, earthquake, storm, and hurricane) and epidemics, pandemics, or other outbreaks of serious contagious diseases. The occurrence of a natural disaster or epidemic could adversely affect and severely disrupt the business operations, economies, and financial markets of many countries (even beyond the site of the natural disaster or epidemic) and could adversely affect Palisade's investment program or its ability to do business. In addition, terrorist attacks, or the fear of, or the precautions taken in anticipation of such attacks could, directly or indirectly, materially and adversely affect certain industries in which Palisade portfolios invest, or could affect the countries and regions in which Palisade portfolios invest, where Palisade has offices, or where Palisade otherwise does business. Other acts of war (*e.g.*, war, invasion, acts of foreign enemies, hostilities, and insurrection, regardless of whether war is declared) could also have a material adverse impact on the financial condition or industries or countries in which Palisade portfolios invest.

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

**Equity Securities.** All of Palisade's investment strategies (with the exception of fixed income private wealth management separately managed accounts that specifically prohibit the ownership

of equity securities) engage in the purchase and sale of equity (or equity-linked) securities. Equity (and equity-linked) securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates, and general economic environments. Investment strategies trading in equities face the risk that a stock's price will decline because the issuing company does not perform according to projections or the economy in general declines. Smaller to mid-capitalization companies are typically subject to a greater degree of change in earnings and business prospects than are larger, more established companies, and are therefore considered to have a higher level of volatility and risk. In addition, equities in general can be affected by changes in interest rates, general market conditions, and other political, social, economic, and environmental developments.

**Fixed Income and Debt Securities.** Certain private wealth management, convertible securities, short duration convertible bond, hedged equity, and hedged convertibles separately managed accounts, as well as the Strategic Fund, the LS Alpha Fund, and certain Underlying Investments, may use fixed income securities (including government and municipal securities, asset-backed securities, and mortgage-backed securities) extensively as part of their trading strategy. Portfolios with high concentrations of fixed income securities have the risk that interest rates will increase, and the value of outstanding bonds (including both corporate and government bonds) will then decrease. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. There is also the risk that the return on the portfolio will not keep up with inflation, thereby eroding purchasing value. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline.

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

**Convertible Securities.** Palisade can utilize convertible securities in its convertible securities, short duration convertible bonds, hedged convertibles, hedged equity, and private wealth management separately managed account strategies. The risks of investing in convertible securities include all of the above-referenced risks that affect the underlying stocks issued by a company, as well as the risk of rising interest rates (credit risk) and issuing company default risk.

**Private Equity Securities; Illiquid Instruments.** The Private Equity Funds invest in the registered and unregistered equity and debt (including convertible securities) of a limited portfolio of companies, and have a higher degree of risk due to their illiquidity and lack of diversification. Certain instruments may have no readily available market or third-party pricing. Reduced liquidity could have an adverse impact on market price and Palisade's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities generally make it more difficult for Palisade to obtain market quotations based on actual trades for the purpose of valuing a fund's portfolio. Palisade's convertible, hedged equity, and hedged convertibles strategies invest in "Rule 144A" securities which may have restrictions on resale (and therefore be less liquid than other types of securities).

**Master Limited Partnerships ("MLPs").** Certain of Palisade's institutional, hedged equity, hedged convertibles, and private wealth management separately managed accounts own (or sell short) MLPs in their portfolios. MLPs are publicly traded partnerships that own cash flow producing assets like oil and gas storage facilities and pipelines. Palisade may purchase MLPs for its clients' accounts because of the partnerships' relatively high current yield and the tax-advantaged nature of their cash distributions. MLPs' values are subject to a number of factors including the cash splits between the partnerships' managers and their limited partners. MLP valuations are also subject to interest rate changes as higher rates can negatively affect MLP values. In addition, owners of MLPs are subject to special tax reporting requirements, which can often present special burdens for investors and/or their financial representatives.

**Call Options.** Palisade's hedged convertibles and hedged equity strategies as well as certain institutional and private wealth management separately managed accounts utilize call options in their trading process. There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying instrument) assumes the risk of a decline in the market price of the underlying instrument below the purchase price of the underlying instrument offset by the premium received if the option expires out of the money, and gives up the opportunity for gain on the underlying instrument above the exercise price of the option. The seller of an uncovered call option assumes the risk of theoretically unlimited increase in the market price of the underlying instrument above the exercise price of the option. The buyer of a call option assumes the risk of losing the premium if the option expires out of the money. We may also trade "covered calls", in which Palisade sells an option on a security owned by a client. In this strategy, the client receives a premium (*i.e.*, a fee) for selling the option contract, and the person purchasing the option has the right to buy the security from the client at an agreed-upon price for a specific time period. We also use a "spread strategy", in which Palisade buys or sells two or more option contracts (for example, a call option that a client buys and a call option that a client sells) for the same underlying security. This technique effectively puts the client on both sides of the market, but with the ability to vary price, time, and other factors.

**Put Options.** Palisade's hedged convertibles and hedged equity strategies and certain private wealth management separately managed accounts may utilize put options in their trading process. There are risks associated with the sale and purchase of put options. The seller (writer) of a put

option which is covered (*e.g.*, the writer has a short position in the underlying instrument) assumes the risk of an increase in the market price of the underlying instrument above the sale price of the short position of the underlying instrument offset by the premium if the option expires out of the money, and thus the gain in the premium, and the option seller gives up the opportunity for gain on the underlying instrument below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying instrument to zero. The buyer of a put option assumes the risk of losing the premium if the option expires out of the money.

**Other Derivative Instruments.** Palisade's hedged convertibles and hedged equity strategies will take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both legally permissible and consistent with the investment objective of the Strategic Fund and the LS Alpha Fund (and other separately managed accounts utilizing the hedged convertibles and hedged equity investment strategies). Special risks apply to instruments in which portfolios may invest in the future that cannot be determined at this time or until such instruments are developed or invested in by the portfolios. Certain options, hybrid instruments, and other derivative instruments will be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk, and operations risk.

**Pooled Investment Vehicles.** As discussed above, when permitted, Palisade may invest client assets (including without limitation private fund assets) in mutual funds and/or ETFs as an efficient means of carrying out our investment strategies (including, in some cases, for hedging purposes) and seeking diversification for client portfolios. The value of an investment in a mutual fund or ETF can vary depending upon the performance of the underlying pool of investments held by the mutual fund or ETF, the fees and expenses charged by the mutual fund or ETF, and other factors. Mutual funds include open and closed-end investment companies the shares of which are traded on exchanges and trade at, above, or below the mutual fund's net asset value. Mutual funds may impose a fee upon the sale of client shares. Mutual funds also include money market mutual funds, the shares of which are redeemable from the mutual fund. Government and U.S. Treasury money market funds are expected to maintain a stable net asset value. Retail money market funds (prime and municipal) are also expected to maintain a stable net asset value. Institutional money market funds are subject to a fluctuating net asset value per share. Money market funds may temporarily suspend Palisade's ability to sell shares on behalf of clients if the fund's liquidity falls below required minimums because of market conditions or other factors. An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. ETFs are traded on exchanges or on the over-the-counter market, and the shares trade at, above, or below their net asset value. With respect to mutual funds and ETFs, investors typically pay only customary brokerage fees to buy and sell shares. When shares are traded on an exchange, an active trading market for shares may not develop or be maintained, and trading of the shares may be halted if the listing exchange's officials deem such actions appropriate, the shares are delisted from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally. An

investment in a mutual fund or ETF invested in by Palisade on behalf of clients generally will have the same primary risks as the investment strategy that Palisade is utilizing to manage the client's account for which a mutual fund or ETF is purchased by Palisade. The risks of investing in mutual funds and ETFs are described fully in their prospectuses and other offering documents. Like other investments, it is possible to lose money by investing in a mutual fund or ETF.

## **ITEM 9 DISCIPLINARY INFORMATION**

Our Firm and our management personnel have no reportable disciplinary events to disclose.

## **ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **A. Broker-Dealer Registration Status**

Palisade is not registered as a broker-dealer; however, the Firm is party to a Marketing Agreement with Foreside Fund Services, LLC, a broker-dealer that is unaffiliated with Palisade, which provides for certain Palisade Supervised Persons to register as Foreside registered representatives to market private funds advised by Palisade. Certain of Palisade's Supervised Persons are registered as registered representatives of Foreside.

### **B. Commodities-Related Registration**

Our Firm and our related persons are not registered as a futures commission merchant, commodity pool operator, or commodity trading advisor, or as associated persons of any futures commission merchant, commodity pool operator, or commodity trading advisor (and no applications are pending for such registrations). Palisade and its Private Funds are exempt from registration as a commodity pool operator under Commodity Exchange Act Rule 4.13(a)(3).

We have no other industry affiliations with futures commission merchants, commodity pool operators, or commodity trading advisors.

### **C. Material Relationships or Arrangements with Industry Participants**

#### ***Related Persons are General Partners in Partnerships in Which Clients May be Solicited to Invest***

Certain of Palisade's Supervised Persons are direct equity holders in Palisade Private Holdings II, LLC, Palisade Concentrated Holdings, LLC, Palisade Concentrated Holdings II, LLC, and Palisade Medical Equity Holdings I, LLC, which each serve as the general partners of the Private Equity Funds. Additionally, Palisade serves as the Manager of certain feeder funds of the Strategic Fund and LS Alpha Fund, and as the investment adviser to each of the Private Equity Funds, the

Strategic Fund, and the LS Alpha Fund. Firm Supervised Persons are direct and indirect investors in the Strategic Fund, the LS Alpha Fund, and the Private Equity Funds. The relationship between Palisade and its Supervised Persons, on one hand, and the Strategic Fund, the LS Alpha Fund, and the Private Equity Funds, on the other hand, create material conflicts of interest with Palisade's clients because Palisade and its professionals may be motivated to recommend partnership investments involving more risk in order to maximize the potential return to Palisade or its related persons (to the possible detriment of our clients). Please refer to Item 5, Item 6, and Section B in Item 11 of this Brochure for additional information and risks.

Palisade has taken several important actions to address the aforementioned conflicts of interest.

First, Palisade has appointed J.P. Morgan Clearing Corp. ("JPMCC") and Huntington National Bank ("Huntington Bank") to serve as independent custodians to hold the funds and securities of the Strategic Fund. National Financial Services LLC/Fidelity Brokerage Services LLC (collectively, "Fidelity") and Huntington Bank also serve as independent custodians to hold the funds and securities of the LS Alpha Fund. Huntington Bank and Fidelity serve as the independent custodians to hold the funds and securities of Palisade Medical Equity I, L.P. JPMCC serves as the independent custodian to hold the funds and securities of the Private Equity Funds (other than Palisade Medical Equity I, L.P.). Palisade may appoint additional custodians in the future. In addition, Palisade has engaged independent fund administrators to review and authorize the transfer of funds and securities in and out of the Strategic Fund, the LS Alpha Fund, and the Private Equity Funds, as well as accounting firms registered with the Public Company Accounting Oversight Board ("PCAOB") to perform annual audits of each of the funds.

Palisade employs stringent cash controls with regard to the funds as well. The Firm may withdraw funds from the Strategic Fund, the LS Alpha Fund, or the Private Equity Funds in only two instances: (i) for payment of management and Performance-Based Fees and expenses owed to Palisade, and (ii) for withdrawal of funds from Palisade's capital account on the same basis as other investors.

Each time Palisade requests payment of its advisory fees or seeks reimbursement of fund expenses, and each time a fund's manager or investment adviser (as the case may be) desires to withdraw any Performance-Based Fees allocated to its capital account, Palisade prepares and presents to the fund's administrator supporting documentation that clearly states the amount of the management or Performance-Based Fee to be withdrawn, as the case may be, the value of the assets or gain on which the fee or allocation was calculated, and the manner in which the fee or allocation was calculated. Palisade also provides documented evidence of all expenses to be reimbursed by the funds. The fund administrator reviews each invoice to verify that the expenses are appropriate, and that the management and Performance-Based Fee was calculated in accordance with the documents governing such payments. Fund custodians may only transfer funds or securities to Palisade for payment of fees or for partial redemption of Palisade's capital investment only after receiving written authorization from the applicable fund administrator.



Each of the Strategic Fund, the LS Alpha Fund, and Private Equity Funds for which Palisade and/or its Supervised Persons serves as manager or investment adviser has and may in the future enter into agreements, or “side letters,” with certain prospective or existing investors whereby such investors may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for the partnership or fund. For example, such terms and conditions set forth in “side letters” generally provide for special rights to make future investments in the partnership, other investment vehicles, or managed accounts; special redemption rights with regard to frequency or notice; waiver or rebate fees or redemption penalties to be paid by the investor; provide rights to receive reports from the partnership on a more frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding portfolio positions); and such other rights as may be negotiated by the partnership or fund and such investors. The modifications are solely at the discretion of the partnership or fund and may, among other things, be based on the size of the investor’s investment in the partnership or fund or affiliated investment entity or overall relationship with Palisade, an agreement by an investor to maintain such investment in the partnership or fund for a significant period of time, or other similar commitment by an investor to the partnership or fund.

### ***Employee Investment Fund***

Palisade serves as the Managing Member of, and investment manager to, AAIF. Palisade established AAIF as a private fund to serve as an investment vehicle for Palisade’s Supervised Persons and certain of their respective family members to invest in the Firm’s small cap core equity and focused all cap equity investment strategies (each as described in Item 4 of this Brochure). Palisade also incubates new investment strategies in AAIF that are not yet made available to the public. Such accounts are utilized by the Firm to investigate and/or develop investment strategies that may be offered to Palisade’s clients in the future. AAIF generally trades alongside Palisade client accounts utilizing the “Bunch Trade” procedures described in Section B in Item 12 of this Brochure. Palisade’s management of a proprietary account, like AAIF, alongside client accounts creates numerous conflicts of interest. Please see Section F in Item 4 and Section B in Item 11 of this Brochure for further information (including how such conflicts are mitigated).

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

Palisade recommends and selects other investment advisers (the Underlying Managers) and investment vehicles (the Underlying Investments) for certain of our private wealth management individual separately managed account clients as described in Item 4. However, Palisade does not receive compensation directly or indirectly from the advisers of Underlying Investments, nor does Palisade have other business relationships with the advisers of Underlying Investments that create a material conflict of interest.



## ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

### A. Code of Ethics and Personal Trading

Palisade has adopted a Code of Ethics (the “Code”) that obligates the Firm and its Supervised Persons to put the interests of our clients before their own personal interests and to act honestly and fairly in all respects in their dealings with clients. The Code sets forth high ethical standards of business conduct that we require of our Supervised Persons, including compliance with applicable federal securities laws. The Code imposes restrictions on the purchase or sale of securities for our Supervised Persons’ own accounts and the accounts of certain affiliated persons. Clients or prospective clients can obtain a copy of the Code by contacting Bradley R. Goldman, Esq., Palisade’s Managing Director, General Counsel & Chief Compliance Officer, by email at [bgoldman@palcap.com](mailto:bgoldman@palcap.com) or by telephone at (201) 585-5433.

The Code is based on the general principle that Supervised Persons shall at all times place the interests of our clients first, and that Supervised Persons shall seek to avoid any actual or potential conflicts of interest. To accomplish this objective, the Code requires the pre-clearance of personal trades and political contributions, as well as the reporting of all personal securities transactions, except transactions in exempt unaffiliated investment company securities or other exempt securities. The Code also requires the disclosure of personal holdings upon hiring of a new Supervised Person, and annually thereafter, as well as all outside business activities. Our Code includes oversight, enforcement, and recordkeeping provisions.

Palisade and our personnel owe a duty of loyalty, fairness, and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code but to the general principles that guide the Code. Our Code is designed to ensure that the personal securities transactions, activities, and interests of our Supervised Persons will not interfere with (i) making decisions in the best interests of advisory clients and (ii) implementing such decisions while, at the same time, allowing Supervised Persons to invest for their own accounts. Palisade has established a Conflicts of Interest Committee to address and monitor situations that may arise.

Please see Part C of this Item 11 for additional detail on the personal trading restrictions contained on our Code.

Our Firm, in the course of its investment management and other activities (*e.g.*, board or creditor committee service or consideration of confidentially marketed transactions), comes into possession of confidential or material nonpublic information about issuers, including issuers in which Palisade or its related persons have invested or seek to invest on behalf of clients. Palisade is prohibited from improperly disclosing or using such information for our own benefit or for the benefit of any other person, regardless of whether such other person is a client. Our Firm maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that Palisade is meeting its obligations to clients and remains in compliance with applicable law. In certain

circumstances, Palisade may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell, or hold a security, but Palisade will be prohibited from communicating such information to the client or using such information for the client's benefit. In such circumstances, the Firm will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that Palisade possesses such information), or not using such information for the client's benefit, as a result of following Palisade's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

**B. Client Transactions in Securities where Palisade has a Material Financial Interest**

Palisade serves as the investment adviser to the Strategic Fund, the LS Alpha Fund, the Collective Funds, and the Private Equity Funds, which are pooled investment vehicles (some of which are offshore investment vehicles for non-US taxpayer clients) for which Palisade solicits investments. In addition, certain of Palisade's Supervised Persons are equity holders in Palisade Private Holdings II, LLC, Palisade Concentrated Holdings, LLC, Palisade Concentrated Holdings II, LLC, and Palisade Medical Equity Holdings I, LLC, which serve as the general partner of each respective Private Equity Fund. Further, certain of Palisade's Supervised Persons are direct or indirect investors in the Strategic Fund, the LS Alpha Fund, and the Private Equity Funds, as well as in AAIF.

Palisade Capital Advisors, LLC ("PC Advisors") is a wholly-owned subsidiary of Palisade that from time to time provides management consulting services to portfolio companies owned by the Private Equity Funds and/or accepts assignment of director fees payable to Palisade employees in connection with such investments. PC Advisors will collect a fee from private equity portfolio companies for these services, which may be calculated by various methods. Revenue from such fees will then be shared among Palisade and its affiliates, on one hand, and the Private Equity Funds' investors, on the other hand, in accordance with the terms of each Private Equity Fund's limited partnership agreement. Investors in the Private Equity Funds will not incur additional fees for the services of PC Advisors. Additionally, certain portfolio companies owned by the Private Equity Funds have in the past (and may in the future) offer discounts on their goods and services to Palisade Supervised Persons. Palisade has a conflict of interest as a result of the activities of PC Advisors and Private Equity Fund portfolio companies because fees paid to PC Advisors or discounts provided to Palisade Supervised Persons may diminish the amount of proceeds or revenues available for distribution to the Private Equity Funds' limited partners.

Palisade and its Supervised Persons will devote to the Strategic Fund, the LS Alpha Fund, the Collective Funds, and Private Equity Funds as much time as we deem necessary and appropriate to manage their respective businesses. Palisade and our affiliates are not restricted from forming additional investment funds, entering into other investment advisory relationships, or engaging in other business activities, even though such activities may be in competition with the Strategic Fund, the LS Alpha Fund, the Collective Funds, and the Private Equity Funds and/or involve substantial time and resources of our Firm and our affiliates. Potentially, such activities could be viewed as creating a conflict of interest in that the time and effort of our Supervised Persons will

not be devoted exclusively to the business of the Strategic Fund, the LS Alpha Fund, the Collective Funds, and the Private Equity Funds, but could be allocated between the business of the Strategic Fund, the LS Alpha Fund, the Collective Funds, the Private Equity Funds, and other of our business activities and those of our affiliates.

The practices described above create a conflict of interest because Palisade and/or its Supervised Persons have an incentive to recommend that Palisade clients invest in the Strategic Fund, the LS Alpha Fund, the Collective Funds, the Private Equity Funds, and/or other investment partnerships managed by Palisade or its affiliates based on their own financial interests, rather than solely the interests of our clients. Further, investors investing in the Strategic Fund, the LS Alpha Fund, the Collective Funds, and the Private Equity Funds will pay significantly different fees than Palisade's Supervised Persons pay for comparable services (as Palisade generally waives all investment management and Performance-Based Fees for investments made by Supervised Persons and their family members in the Strategic Fund, LS Alpha Fund, and the Private Equity Funds). Additionally, Palisade does not charge any investment management or Performance-Based Fees to AAIF.

Palisade has adopted a variety of policies to address these conflicts of interest, as follows:

- When investing in the Strategic Fund or the LS Alpha Fund, Palisade's Supervised Persons receive a separate class of interests that are deemed ineligible to receive allocations of new issues of equity securities. The procedure is designed to ensure that all initial public offering securities are reserved exclusively for our non-affiliated investors.
- Investors in the Strategic Fund and the LS Alpha Fund receive disclosure to the effect that Palisade and its affiliates may provide management services for other separately managed accounts with similar or identical investment objectives, and that Palisade's future activities may give rise to other conflicts of interest.
- Separately managed account clients that invest in the Strategic Fund, the LS Alpha Fund, the Collective Funds, or the Private Equity Funds are not charged any additional advisory fees other than the advisory fee specifically allocated to investors in such funds.
- To ensure complete transparency with regard to the affairs of the Strategic Fund, the LS Alpha Fund, the Collective Funds, and the Private Equity Funds, Palisade (or the SEI Trustee with regard to the Collective Funds) has engaged the services of unaffiliated third-party fund administrators and auditors that handle the administrative matters of the funds.

Please see Section F of Item 4 for more information on conflicts of interest.

### C. Investing in Securities Recommended to Clients

As noted above, Palisade's Supervised Persons may invest in the same securities (or related securities, *e.g.*, warrants or options on such securities) that the Firm recommends to clients (including through investment in AAIF). Such practices present a conflict where, because of information in Palisade's possession, the Firm or its Supervised Persons are in a position to trade in a manner that could adversely affect clients (*e.g.*, place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients' trades). In addition to affecting the Firm's or its Supervised Persons' objectivity, these practices by the Firm or its related persons may also harm clients by adversely affecting the price at which the clients' trades are executed. Palisade has adopted the following procedures in an effort to minimize such conflicts:

- Palisade requires all of its Supervised Persons to pre-clear Reportable Securities (as defined in Palisade's Code) trading transactions, other than ETFs, in their personal accounts with the Firm's Compliance Department, which may deny permission to execute the transaction if such transaction will have any adverse economic impact on any Firm client.
- Palisade's Code prohibits the Firm or any of its Supervised Persons from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Firm's Compliance Department. Please refer to Section A in this Item 11 for further information on our Code.
- Firm Supervised Persons may buy for their personal account the same securities and Underlying Investments that are recommended to client accounts; however, there is generally a three-day waiting period after the Firm has finished purchasing the securities for clients before a Supervised Person may trade.
- Absent special circumstances, Firm Supervised Persons may not sell for their personal accounts the same securities that are held in client accounts until all of such securities have been sold in client accounts. There is a two-day-per-year exception to this rule, each known as "Tax Sale Day", when Supervised Persons may sell securities in their personal accounts while the same securities are owned in client accounts.
- All of the Firm's Supervised Persons are required to certify their transactions in Reportable Securities on at least a quarterly basis and holdings of such securities on an annual basis.
- Trading in Supervised Persons' personal accounts is periodically reviewed by the Firm's Compliance Department.
- AAIF generally trades securities at the same time as client accounts. Such trades may be included in a Bunch Trade (as discussed below in Section B in Item 12 if this Brochure ("Order Aggregation")) and share in the allocation and commissions of such trades on a pro-rata basis. However, AAIF is not eligible to participate in initial public offerings.

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

Palisade's Code prohibits the Firm's Supervised Persons from transacting in securities in their personal accounts at or about the same time as the same securities are being transacted in client accounts. As noted above, the Firm has implemented a three-day "blackout period" to minimize the potential conflict of interest stemming from situations where contemporaneous trading results in an economic benefit to Palisade or its Supervised Persons to the detriment of our clients. Notwithstanding the foregoing, AAIF, which is managed by Palisade, may trade in securities at the same time as other client accounts.

### **ITEM 12 BROKERAGE PRACTICES**

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

Absent client direction to the contrary, Palisade selects broker-dealers for trade execution which, in its best judgment, seek best execution for that trade at favorable security prices and reasonable commission rates. The best net price, giving effect to brokerage commission and other costs, is an important factor in this decision, but a number of other factors also enter into the decision. These factors include, among others:

- knowledge of negotiated commission rates currently available;
- the nature of the security being traded;
- the size and complexity of the transaction;
- the desired timing of the trade;
- the activity existing and expected in the market for the particular securities;
- confidentiality; and
- the execution, clearance, and settlement capabilities, financial condition, and other relevant and appropriate services of the broker-dealer.

In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, Palisade does not need to solicit competitive bids and does not have an obligation to seek the lowest available commission cost. For those trades that are executed at rates above "execution only" commission rates, clients are deemed to be paying for research, brokerage, or other services provided by a broker-dealer which are included in the commission rate.

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

Palisade receives benefits other than execution from various broker-dealers in connection with client securities transactions. This is known as a "soft dollar" relationship. Consistent with its duty

to seek best execution, Palisade typically directs client orders to broker-dealers in recognition of research and/or order execution services furnished by them, as permitted by Section 28(e) of the Securities Exchange Act of 1934 (“Section 28(e)”). Research services within Section 28(e) have been, and continue to be, typically received in the form of:

- written reports;
- attendance at certain seminars and conferences; and
- personal meetings and/or phone calls with security analysts, economists, government representatives, industry experts, and corporate and industry spokespersons.

In some cases, research services that are generated by third parties are provided by or through broker-dealers. This research generally provides information necessary to formulate investment decisions, and covers securities, industries, sectors, and the general economy.

Eligible brokerage services within Section 28(e) include:

- services related to the execution, clearing, and settlement of securities transactions and functions incidental thereto (*i.e.*, connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians);
- trading software operated by a broker-dealer to route orders;
- software that provides trade analytics and trading strategies;
- software used to transmit orders;
- clearance and settlement in connection with a trade;
- electronic communication of allocation instructions;
- routing settlement instructions;
- post-trade matching of trade information;
- services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms, or trade affirmations; and
- other permissible services.

Palisade does not typically direct client orders to broker-dealers in recognition of brokerage services furnished by them, consistent with Section 28(e); however, the Firm may do so in the future.

Clients may pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (which is commonly referred to as “paying up”).

Palisade does not attempt to allocate the relative costs or benefits of soft dollar benefits such as research to client accounts proportionately to the soft dollar benefits generated by the account. We believe that the soft dollar benefits (including research) are, in the aggregate, of assistance in fulfilling our overall responsibilities to clients. Accordingly, any soft dollar benefits (including research) received in exchange for a particular client’s brokerage commissions may be useful to that particular client; however, such soft dollar benefits (including research) may also be utilized

by Palisade in its management of other client accounts. Additionally, not all soft dollar benefits (including research services) received may be utilized by Palisade in connection with the specific account which paid commissions (or markups or markdowns) to the broker providing such benefits and services.

Palisade's relationships with broker-dealers providing research and execution services may influence its selection of broker-dealers, and thereby create a conflict of interest in allocating brokerage business. We have an incentive to select or recommend a broker-dealer based on our interest in receiving research and other products and services (*i.e.*, soft dollar benefits), rather than on our clients' interest in receiving most favorable execution. For example, Palisade will not have to pay for the product and services provided by the broker-dealers, which creates an incentive for the Firm to select or recommend a broker-dealer based on its interest in receiving those products and services.

Palisade participates in "commission sharing arrangements" pursuant to which Palisade executes transactions through a broker-dealer and requests that the broker-dealer allocate a portion of the commissions or commission credits to another firm that provides research to Palisade. Palisade excludes from use under these arrangements those services that are not eligible under Section 28(e) and applicable regulatory interpretations.

During Palisade's last fiscal year, as a result of client brokerage commissions (or markups or markdowns), the Firm and/or its related persons acquired research and execution services, as described more specifically above. In determining whether to direct client brokerage transactions to particular broker-dealers, Palisade's "Best Execution Committee" meets at least quarterly to review and evaluate Palisade's soft dollar practices and to determine in good faith whether, with respect to any research or execution services received from a broker-dealer, the commissions (or markups or markdowns) used to obtain those services were reasonable in relation to the value of the brokerage or research services provided by the broker-dealer. The Best Execution Committee reviews quarterly and year-to-date commission reports which show commissions paid to each broker for our equity and hedged equity strategies (including private wealth management separately managed accounts), and the convertible securities, short duration convertible bonds, and hedged convertibles strategies. Representatives of the Firm's investment teams review and discuss the contributions each broker made to their research process. Our traders also present information on the brokers' order execution during the quarter. The Committee confers on whether the cumulative commissions for each broker are commensurate with the quality and amount of research and execution services provided. The Committee then instructs the Firm's traders to direct trades in the subsequent period in recognition of the receipt of research and execution services, provided they can do so while seeking best execution.

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

In selecting or recommending broker-dealers, we do not consider whether we or a related person receives client referrals from a broker-dealer or third-party. In no event will Palisade select a broker-dealer as a means of remuneration for recommending Palisade or any other product



managed by Palisade (or its affiliates) or affording Palisade with the opportunity to participate in capital introduction programs.

From time to time Palisade participates in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers and/or custodians to the Strategic Fund or the LS Alpha Fund, or recommend the Strategic Fund, the LS Alpha Fund, the Collective Funds, or the Private Equity Funds as an investment to investors. Palisade may effect client portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if the Firm determines that it is otherwise consistent with seeking best execution.

### ***Directed Brokerage***

Except as discussed below, Palisade does not routinely recommend, request, or require clients to direct us to execute transactions through a specific broker-dealer. Certain Palisade clients direct Palisade to use a specified broker-dealer to execute all or a portion of the client's securities transactions. When this occurs, Palisade treats the client direction as a decision by the client to retain, to the extent of the direction, the discretion the Firm would otherwise have in selecting broker-dealers to effect transactions and negotiate commissions for the client's account. Although Palisade attempts to effect such transactions in a manner consistent with its policy of seeking best execution, there may be occasions where it is unable to do so, in which case Palisade will continue to comply with the client's instructions. Transactions in the same security for accounts that have directed brokerage to the same broker that Palisade has chosen for trading accounts for which it has brokerage discretion will be aggregated in Palisade's Bunch Trades (as discussed below in Subsection B ("Order Aggregation")). When the directed broker-dealer is unable to execute a trade, Palisade will select broker-dealers other than the directed broker-dealer to effect client securities transactions.

Clients who direct Palisade to use a particular broker-dealer to effect transactions should consider whether such direction results in certain disadvantages to the client, such as, for example, the inability to participate in initial public offerings ("IPOs") underwritten by brokers other than the directed broker, and certain increased costs as compared to Palisade clients not requiring directed brokerage. Such costs may include higher brokerage commissions (because the Firm is not able to aggregate orders to reduce transaction costs), less favorable price or overall execution of transactions, and the potential of exclusion from the client's portfolio of certain small capitalization or illiquid securities due to the inability of the particular broker-dealer in question to provide adequate price and execution of all types of securities transactions. As discussed below, clients that direct brokerage also may be unable to participate fully in aggregated or Bunch Trades (as discussed below). By permitting a client to direct Palisade to execute the client's trades through a specified broker-dealer, the Firm will make no attempt to negotiate commissions on behalf of the client and, as a result, in some transactions such clients may pay materially disparate commissions depending on their commission arrangement with the specified broker-dealer and upon other factors such as number of shares, round and odd lots, and the market for the security. The commissions charged to clients that direct Palisade to execute the client's trades through a specified broker-dealer may in some transactions be materially different than those of clients who

do not direct the execution of their trades. Clients that direct Palisade to execute their trades through a specified broker-dealer will also lose the ability to negotiate volume commission discounts on batched transactions that may otherwise be available to other Palisade clients.

**Institutional Separately Managed Accounts.** Palisade generally requires clients with discretionary separately managed accounts to provide us with written authority to determine the broker-dealer to use, and the commission costs to be charged, to these clients for trading transactions. These clients must include any limitations on this discretionary authority in the written authority statement, which is typically included as part of the Investment Management Agreement between Palisade and the client. Clients may modify or amend these limitations as required, provided that all amendments must be provided to us in writing.

Palisade will direct trades in over-the-counter or listed securities on an agency basis through Alternative Trading Systems (“ATSs”), rather than directing them to a market-maker, floor broker, or a dealer on a principal basis, if Palisade believes that use of an ATS will seek best execution for the client, because (i) Palisade believes that by using an ATS it can obtain a better price or obtain better access to thinly traded securities that may not be available or as available in other markets, (ii) the Firm can better effect a trading strategy using the anonymity that trading on an ATS provides, or (iii) Palisade can better effect a transaction in a special situation, including without limitation a Bunch Trade (as described below).

**Private Wealth Management Separately Managed Accounts.** Palisade has entered into an agreement with Fidelity, a registered broker-dealer, through which Fidelity will maintain brokerage accounts on behalf of certain of Palisade’s private wealth management separately managed accounts. As part of its services, Fidelity provides clearance, settlement, and custody services incidental to the maintenance of private wealth management separately managed accounts that open brokerage accounts with Fidelity. Accordingly, trades on behalf of such accounts will be executed through Fidelity unless another broker-dealer has been designated by the client or is otherwise appropriate, in which event Fidelity will charge an “away fee”. Absent directed trading instructions to the contrary, this “away fee” may cause us to determine that better execution (in terms of price, for example) may be obtained by executing trades through Fidelity. Palisade does not share in brokerage commissions paid to Fidelity or in any “away fees”. Certain private wealth management separately managed accounts with brokerage accounts held by Fidelity may be insufficient in size to utilize trading through a broker other than Fidelity.

**AAIF.** Palisade has entered into an agreement with Fidelity to maintain brokerage accounts on behalf of AAIF. As part of its services, Fidelity provides clearance, settlement, and custody services incidental to the maintenance of AAIF’s accounts. Accordingly, trades on behalf of such account may be executed through Fidelity, unless another broker-dealer has been designated by AAIF or is otherwise appropriate, in which event Fidelity will charge an “away fee”. Absent directed trading instructions to the contrary, this “away fee” may cause us to determine that better execution (in terms of price, for example) may be obtained by executing trades through Fidelity. Palisade does not share in brokerage commissions paid to Fidelity, or in any “away fees”. AAIF’s accounts may be insufficient in size to utilize trading through a broker other than Fidelity (as the

case may be). Additionally, AAIF maintains a bank account at Huntington Bank for the purpose of processing subscriptions, redemptions, and other cash transactions relating to the fund.

**The Strategic Fund.** JPMCC serves as independent custodian to hold the funds and securities of the Strategic Fund. Additionally, the Strategic Fund's feeder entities each maintain a bank account at Huntington Bank for the purpose of processing subscriptions, redemptions, and other cash transactions relating to the fund.

**The LS Alpha Fund.** Fidelity serves as the independent custodian to hold the funds and securities of the LS Alpha Fund. Additionally, the LS Alpha Fund's feeder entity maintains a bank account at Huntington Bank for the purpose of processing subscriptions, redemptions, and other cash transactions relating to the fund.

**The Collective Funds.** Brown Brothers Harriman serves as an independent custodian to hold the funds and securities of the Collective Funds.

**Private Equity Funds.** JPMCC serves as an independent custodian to hold the funds and securities of the Private Equity Funds other than Palisade Medical Equity I, L.P. Fidelity serves as an independent custodian to hold the funds and securities of Palisade Medical Equity I, L.P. Additionally, Palisade Medical Equity I, L.P. maintains a bank account at Huntington Bank for the purpose of processing subscriptions, redemptions, and other cash transactions relating to the fund.

**Wrap Fee and Model Portfolio Programs.** The fees charged to clients of most wrap fee (including SMA) and model portfolio (including UMA) programs include the cost of executing brokerage transactions. Palisade will execute trades for certain of these programs, or direct trades to the Wrap Fee Sponsor or its affiliate so as to avoid incurring additional brokerage costs that would otherwise be charged to the client (Palisade generally does not execute trades for research provider/model-based programs). Some Wrap Fee Sponsors will also charge additional fees for any trades that are stepped out to another broker-dealer. Absent directed trading instructions to the contrary, these additional fees may cause us to determine that better execution (in terms of price, for example) may be obtained by executing trades through the Wrap Fee Sponsor or its affiliate. Some Palisade clients may retain ultimate responsibility for determining the securities to be purchased, held, and sold for their own or their client accounts and do not give Palisade authority to execute trades on their behalf. Clients should understand that any arrangement where Palisade does not retain trading discretion will impact Palisade's ability to seek best execution.

## **B. Order Aggregation**

Palisade seeks to aggregate trade orders in a manner that is consistent with its duty to: (i) seek best execution of client orders; (ii) treat all clients fairly and equitably over time; and (iii) not systematically advantage or disadvantage any client or group of clients.

Because the size and mandate of client accounts likely differ, the securities held in such client accounts are typically not identical. In appropriate circumstances, some accounts managed by

Palisade purchase or sell a security prior to other accounts managed by Palisade. This could occur, for example, as a result of the specific investment objectives of the client or different cash resources arising from contributions or withdrawals. Additionally, smaller accounts generally trade less frequently than larger accounts in an effort to minimize trading costs.

### ***Bunch Trading & Trade Allocation***

Consistent with its duty to seek best execution, Palisade typically buys and sells securities on a “bunched” or aggregated basis (a “Bunch Trade”) for eligible accounts (including accounts in which Palisade’s Supervised Persons have an interest) where possible and when advantageous to clients. This bunching of trades permits the trading of aggregate bunches of securities composed of assets from multiple client accounts, so long as transaction costs are shared equitably and on a prorated basis between all accounts included in any such bunch (subject to certain size- or cost-related exceptions). Note, however, that certain of Palisade’s smaller separately managed accounts may be insufficient in size to participate in Bunch Trades. In such cases, Palisade will be limited in its choice of executing brokers, and the client may pay higher commissions than if the transactions were effected through a broker-dealer of Palisade’s choice. Therefore, Palisade will be limited in its ability to seek best execution. Clients directing all or a portion of their brokerage to a particular broker-dealer (as described above) may be disadvantaged (and the performance of their accounts adversely affected) by not participating in Bunch Trades.

To implement its allocation procedures, Palisade uses average pricing, which is an accounting convention utilized solely to allocate securities purchased or sold in multiple executions for a single order. Multiple orders cannot be aggregated into a Bunch Trade. Transactions are not settled through an average price account.

When a Bunch Trade is filled in its entirety, each participating account will participate at the average price paid or received, per share or unit, on that day for the Bunch Trade, and share in any associated transaction costs, based upon the initial amount of securities requested to be purchased or sold for the account. When a Bunch Trade is partially filled, Palisade will allocate the order in accordance with its written aggregation and allocation procedures, described generally below.

Pro rata allocation is generally used when a Bunch Trade, which usually involves only non-directed accounts, cannot be fully executed in a single day, unless the client has expressly directed otherwise. The partial fill is generally allocated among the participating client accounts based on the size of each account’s original order, subject to rounding in order to achieve minimum lots. Unexecuted orders will continue until the Bunch Trade is completed or until all component orders have been cancelled. When appropriate, new orders for the same security may be aggregated with any remaining unexecuted orders and will continue in the same manner. Palisade will generally apply a minimum order allocation amount of ten shares, which may be adjusted based on market convention associated with the particular security. If the remaining positions are too small to satisfy the minimum order amount, Palisade may decide to allocate the remaining shares to those accounts seeking large positions that were unfilled. Palisade may also decide to allocate remaining

shares to those accounts whose orders would be completed as a result of the allocation subject to its *de minimis* policy.

While Palisade will always try to allocate investment opportunities and the results of transactions pro rata in the first instance, Palisade may allocate on a basis other than pro rata, if, under the circumstances, Palisade believes that such other method of allocation is reasonable, does not result in improper or undisclosed advantage or disadvantage to participating accounts, and results in fair access, over time, to investment and trading opportunities for all eligible accounts managed by Palisade. For example, Palisade may identify investment opportunities that are appropriate for certain accounts but not others (or with respect to which relatively increased exposure is appropriate for one account or group of accounts over others) based on such factors as: investment objectives and style; risk/return parameters; legal, regulatory, and client requirements or restrictions; tax considerations; account size; sensitivity to turnover; and available cash and cash flows. Consequently, Palisade may determine it is appropriate to place a given security in one account over another, or to allocate a security more heavily to a particular account over another. Palisade may also invest in limited availability or thinly traded securities in which it may be unable to acquire substantial positions.

Palisade will also consider cash flow changes (including available cash, redemptions, exchanges, capital additions, and capital withdrawals), which may provide a basis to deviate from a pre-established allocation as long as it does not result in an unfair advantage to specific accounts or types of accounts over time.

Palisade generally will not aggregate trades for accounts of wrap fee clients, dual contract clients, or other clients over which Palisade has limited or no brokerage discretion with those for other client accounts Palisade manages, to the extent that (i) those clients have directed their brokerage to a particular broker-dealer or (ii) wrap fee clients pay comprehensive fees that already include the costs of executing transactions through the Wrap Fee Sponsor. Orders for wrap fee, dual contract and directed brokerage clients may be aggregated only with other practicable orders relating to the same wrap fee program or designated broker-dealer and will be allocated in the manner described above, including the pro rata allocation, if it would result in a partial fill for any account selected.

With respect to allocations of limited-supply investment opportunities, such as privately placed securities, Palisade will determine which Palisade clients are eligible to participate in those opportunities based on various factors including, among other things, each client's investment program and relative amounts of available capital.

### ***Trade Rotation Policy***

To minimize trading conflicts in investment strategies (excluding Convertible Securities) where Palisade manages both (x) client accounts for which Palisade has partial or complete trading discretion (collectively, "Discretionary Accounts") and (y) wrap (including wrap-fee, separately managed account (SMA), dual contract, and/or unified managed account (UMA)) program

accounts (where Palisade's trading discretion is limited to brokers specified by a particular program sponsor or where Palisade advises an account on a non-discretionary basis by providing trade instructions to a program sponsor without executing such trades) (collectively, "Sponsored Program Accounts"), Palisade employs an asset-weighted rotation procedure to determine the order by which trading will occur. Such rotation utilizes a model based on the percentage of assets each group of accounts collectively represent out of the total assets managed for the investment strategy(ies) participating in the trade. For example, if the aggregate assets of Discretionary Accounts represent sixty percent (60%) of the total assets of the investment strategy(ies) for which a trade is being executed, the trade rotation model will determine that such Discretionary Accounts will have a probability of trading first (using a Bunch Trade when appropriate, as described herein) sixty percent (60%) of the time over the long term. Subsequently, a similar asset-weighted model is utilized to determine the order by which Sponsored Program Accounts will trade (or receive trade instructions) as well.

The trade rotation model employs a random number generator that Palisade believes is reasonably designed to seek to ensure fairness in this process. The model is run by Palisade's trading department daily for the Firm's applicable investment strategies and the same trading order is utilized for the entire trading day. Upon receiving trade instructions from an investment professional, the Trader will generally complete all trading for the first account (or group of accounts) in the trade rotation before continuing to the next account (or group of accounts). Notwithstanding the foregoing, the Trader may use his/her discretion to deviate from this procedure (e.g., by dividing a large or difficult trade into smaller parts to ensure a more equitable allocation of the investment opportunity across all accounts). Palisade retains records of the rotation schedule (together with any deviations thereto) along with its daily trading records.

Asset levels of client accounts are generally updated by Palisade's Operations Department in the trade rotation model on a monthly basis to determine whether the relative percentage of assets, and thus the trade rotation, should be modified. Additionally, client assets (and the trade rotation model) will be immediately updated by Palisade's Operations Department whenever (x) a client account is added or removed from a particular investment strategy, or (y) when an existing client contributes or withdraws assets from its account; provided, with regard to provisos (x) and (y), the amount of such transaction represents at least five percent (5%) of the investment strategy's total assets at the time such transaction occurs. Notwithstanding the foregoing, model accounts where trade instructions are sent to the model sponsor only once daily (at the times and pursuant to the terms of Palisade's agreement with such sponsor) are not subject to the trade rotation policy.

Palisade's Convertible Securities investment strategy does not utilize the trade rotation procedure described above because of the specialized nature of the trading desks that transact in such securities. Accordingly, Palisade trades all client accounts utilizing the Convertible Securities investment strategy through Bunch Trades (as described herein) and "steps-out" trades to the appropriate Program Sponsors, if any, as applicable. In such cases, Palisade nets in the commission for such trades to the average execution price for such transactions.



Palisade believes this is a fair procedure reasonably designed in an effort to ensure that client accounts are treated equitably over time.

### ***Trading in Initial Public Offerings***

Palisade generally invests in and allocates IPOs to eligible accounts based on the target amount submitted in advance by the portfolio managers for each strategy for accounts which are eligible to participate in IPOs. A minimum of ten shares will be allocated whenever possible. Under certain circumstances (such as small share allocations), Palisade will allocate IPOs to smaller groups of specific individual accounts within each strategy on a rotational basis. Wrap accounts (including SMAs), model portfolios (including UMAs), other directed brokerage accounts, and accounts affiliated with Palisade's related persons are not eligible to participate in IPOs.

### ***Trade Errors***

Client transactions may be impacted by errors in the trading process. Palisade reviews each trade error that is discovered and decides what corrective steps to take to ensure that the affected client will at least be made whole. Any losses incurred or gains realized by Palisade as the result of resolving trade errors will be accrued over the course of each calendar year and any net gains will be donated to charity at the beginning of the following calendar year. Certain executing brokers and documentation relating to Palisade's Private Funds have different error correction policies that supersede Palisade's trade error policies. Clients participating in sponsored programs (such as wrap-fee (including SMA), advisory, and research provider/model-based (including UMA) programs) may be subject to the trade error correction policy of the Wrap Fee Sponsor. These clients should refer to their program's account documentation.

## **ITEM 13 REVIEW OF ACCOUNTS**

### **A. Frequency and Nature of Review**

Accounts generally are reviewed in the context of each client's stated investment objectives and investment guidelines. Palisade utilizes software that reviews investment guidelines for managed accounts daily and reviews the Firm's trading activity daily to identify potential issues. Performance and performance dispersion within strategies are reviewed at least monthly. More frequent reviews will be triggered by material changes in variables such as the client's individual circumstances, investment objectives, or the market, political, or economic environment. Reviews also may be triggered for compliance purposes, such as in connection with monitoring and testing for compliance with investment guidelines and investment restrictions. Additionally, Palisade's Operations Department reviews account cash and holdings against custodial statements on a periodic basis. More specific information is provided below.



### ***Institutional and Private Wealth Management Separately Managed Accounts***

The underlying securities within institutional and private wealth management separately managed accounts are continually monitored by each account's portfolio manager to determine whether securities positions should be maintained in view of current market conditions. Dennison T. Veru, Chief Investment Officer & Co-Chairman, supervises the Firm's institutional and private wealth management separately managed account portfolio managers, and periodically reviews such accounts in the course of his duties.

In addition, all accounts are periodically assessed by:

- Palisade's Chief Investment Officer & Co-Chairman;
- a member of the Firm's Risk Management and Performance Department; and
- a member of Palisade's Compliance Department.

These additional assessments utilize aggregated data and summary reports to show dispersion between similarly managed accounts and deviation from core investment strategies. Managed Accounts are also monitored on a systematic basis by an electronic portfolio compliance system to ensure consistency with client portfolio restrictions. More active accounts and larger accounts are reviewed on a more frequent basis. A member of Palisade's Compliance Department reviews exceptions generated by compliance monitoring software on a daily basis in an effort to ensure all transactions comply with the Firm's compliance policies and procedures.

Palisade's Investment Committee is a forum for the exchange of investment ideas among investment professionals primarily responsible for the Firm's investment management strategies that utilize publicly traded securities. In the course of its discussions, client accounts are informally reviewed and discussed.

### ***Mutual Fund and Collective Fund Accounts***

Mutual Fund and Collective Fund accounts are primarily reviewed by their respective portfolio managers. Palisade periodically reviews and monitors each Mutual Fund and Collective Fund's holdings in accordance with the investment objectives as detailed in each fund prospectus, Declaration of Trust and/or Disclosure Memorandum (as the case may be). The underlying securities within Mutual Fund and Collective Fund accounts are primarily monitored by each account's portfolio manager to determine whether securities positions should be maintained in view of current market conditions. Dennison T. Veru, Chief Investment Officer & Co-Chairman, supervises the Firm's institutional account portfolio managers, and periodically reviews such accounts in the course of his duties.

Each Mutual Fund and Collective Fund is periodically assessed by its respective portfolio manager, Palisade's Chief Investment Officer & Co-Chairman, a member of the Firm's Risk Management and Performance Department, and a member of Palisade's Compliance Department, as described above. Mutual Fund and Collective Fund accounts are also monitored on a systematic

basis by an electronic portfolio compliance system to ensure consistency with client portfolio restrictions. More active accounts and larger Collective Fund accounts are reviewed on a more frequent basis. A member of Palisade's Compliance Department reviews exceptions generated by compliance monitoring software daily in an effort to ensure each Mutual Fund and Collective Fund account's transactions comply with the Firm's compliance policies and procedures.

### ***Wrap Fee and Model Portfolios***

Wrap Fee and Model Portfolios, if any, are primarily reviewed by their portfolio managers. The underlying securities within wrap fee (including SMA) and model portfolio (including UMA) accounts are continually monitored by each account's portfolio manager to determine whether securities positions should be maintained in view of current market conditions. Dennison T. Veru, Chief Investment Officer & Co-Chairman, supervises the Firm's institutional account portfolio managers, and periodically reviews such accounts in the course of his duties. In addition, all accounts are periodically assessed by:

- Palisade's Chief Investment Officer & Co-Chairman;
- a member of the Firm's Risk Management and Performance Department; and
- a member of Palisade's Compliance Department.

These additional assessments utilize aggregated data and summary reports to show dispersion between similarly managed accounts and deviation from core investment strategies. Wrap (including wrap-fee, SMA, and UMA) accounts are also monitored on a systematic basis by an electronic portfolio compliance system to ensure consistency with client portfolio restrictions. More active wrap accounts and larger wrap accounts are reviewed on a more frequent basis. A member of Palisade's Compliance Department reviews exceptions generated by compliance monitoring software on a daily basis in an effort to ensure that such transactions comply with the Firm's compliance policies and procedures.

### ***The Strategic Fund, the LS Alpha Fund, and Private Equity Funds***

The Strategic Fund and the LS Alpha Fund are primarily reviewed by their respective portfolio managers. Palisade continually reviews and monitors the Strategic Fund's, the LS Alpha Fund's, and each Private Equity Fund's respective holdings in accordance with the investment objectives as detailed in each fund's respective private placement offering memorandum or prospectus, as applicable.

The Strategic Fund is primarily reviewed by William Lee, Managing Director and Senior Portfolio Manager. Additionally, Dennison T. Veru, Chief Investment Officer & Co-Chairman, supervises the Firm's institutional account portfolio managers, and periodically reviews the Strategic Fund in the course of his duties. In addition, the Strategic Fund is periodically assessed by:

- Palisade's Chief Investment Officer & Co-Chairman;
- a member of the Firm's Risk Management and Performance Department; and

- a member of Palisade's Compliance Department.

The LS Alpha Fund is primarily reviewed by Marc H. Shapiro, Managing Director and Senior Portfolio Manager and William Lee, Managing Director and Senior Portfolio Manager. Dennison T. Veru, Chief Investment Officer & Co-Chairman, supervises the Firm's institutional account portfolio managers, and periodically reviews the LS Alpha Fund in the course of his duties. In addition, the LS Alpha Fund is periodically assessed by:

- Palisade's Chief Investment Officer & Co-Chairman;
- a member of the Firm's Risk Management and Performance Department; and
- a member of Palisade's Compliance Department.

The Private Equity Funds are periodically reviewed by members of the Private Equity Investment Committee and a member of Palisade's Compliance Department.

## **B. Factors Prompting a Non-Periodic Review of Accounts**

Non-periodic reviews will be performed at a client's request. Also, as noted above, significant market events affecting the prices of one or more securities in client accounts, or changes in the investment objectives or guidelines of a particular client or fund portfolio, may trigger reviews of client accounts or fund portfolios on other than a periodic basis. More active accounts and larger accounts will be reviewed more frequently than less active or smaller accounts. Any periodic compliance review or electronic alert that identifies a potential issue will be brought to the attention of the Compliance Department, researched to understand the cause and remedy, and if necessary, reviewed in more detail by the portfolio manager and/or a member of the Operations Department or senior Palisade management.

## **C. Content and Frequency of Regular Account Reports**

The reports described below are typically written, but may be delivered electronically as requested by our clients (or, as applicable, Wrap Fee Sponsors). Reports to investors of our clients that are mutual funds or other pooled investment vehicles also are typically written, but may be delivered electronically as authorized by such holders and applicable law.

Palisade generally provides quarterly reports to its separately managed account clients (including private wealth management and institutional account clients as well as wrap fee (including SMA) and model portfolio (including UMA) account clients), if any, that summarize account performance, balances, and holdings. In addition, clients will generally receive monthly statements and confirmations of transactions from their broker-dealer and/or custodian. Palisade can provide more frequent reporting if requested by a client. Clients are encouraged to compare the information provided by Palisade against the information provided by their account's custodian. Content of the respective statements may vary based on accounting procedures, reporting dates, or valuation procedures for certain securities.

Clients invested in Mutual Funds subadvised by Palisade should refer to each fund's prospectus for information regarding regular reports to clients by the respective Mutual Fund. Palisade, as sub-adviser, provides to the Mutual Funds quarterly reports summarizing account performance, balances, and holdings. Palisade can provide more frequent reporting if requested by a Mutual Fund.

Clients invested in Collective Funds subadvised by Palisade should refer to each fund's Declaration of Trust and Disclosure Memorandum for information regarding regular reports to clients by the respective Collective Funds. Palisade, as sub-adviser, provides to the Collective Funds quarterly reports summarizing account performance, balances, and holdings. Palisade can provide more frequent reporting if requested by the Collective Funds.

Investors in the Strategic Fund, the LS Alpha Fund, the Private Equity Funds (including the general partners of the Private Equity Funds), and AAIF receive monthly and/or quarterly reports and commentary from the Strategic Fund, LS Alpha Fund, and Private Equity Funds, as applicable, pursuant to the terms of each fund's offering memoranda or as otherwise described in the confidential private placement offering document of the relevant fund. Each of the Strategic Fund, the LS Alpha Fund, and the Private Equity Funds has and may in the future enter into agreements, or "side letters," with certain prospective or existing investors that provide rights to receive reports from the fund on a more frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding portfolio positions).

Additionally, clients invested in the Strategic Fund, the LS Alpha Fund, the Private Equity Funds, and AAIF receive an annual Form K-1, as applicable, and a copy of the respective fund's annual financial audit.

In addition to the above reports, we generally will provide our clients with reasonable, periodic access to our investment professionals through conference calls or other reasonably agreed upon means to discuss their accounts or our services and any questions regarding their accounts or our services.

## **ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION**

### **A. Economic Benefits Received from Non-Clients for Providing Services to Clients**

Palisade receives certain research and other services from broker-dealers through "soft-dollar" arrangements as permitted under the Section 28(e) safe harbor (as discussed above in Item 12 of this Brochure). These "soft-dollar" arrangements create an incentive for Palisade to select or recommend broker-dealers based on the Firm's interest in receiving the research or other services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and would result in higher transaction costs than would otherwise be obtainable by Palisade on behalf of its clients. Please see Item 12 of this Brochure above for

further information on Palisade’s “soft-dollar” practices, including the Firm’s procedures for addressing conflicts of interest that arise from such practices.

Palisade Supervised Persons may receive gifts and entertainment from clients and non-clients, subject to the restrictions imposed by Palisade’s Compliance Manual. Additionally, the Firm may compensate Palisade Supervised Persons for their assistance in bringing a new client or account to the Firm.

**B. Compensation to Non-Supervised Persons for Client and Investor Referrals**

Palisade pays referral fees to independent persons or firms (“Solicitors”) for introducing clients or investors to us. As a matter of Firm practice, advisory fees paid to us by clients or investors referred by Solicitors are not increased as a result of any referral. Cash payments for client solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Advisers Act, related SEC staff interpretations, and other applicable laws and regulations.

**C. Compensation to Supervised Persons for Client Referrals**

Palisade’s Supervised Persons are eligible to receive bonus compensation from Palisade that is directly tied to the Supervised Person’s efforts in referring new client accounts to the Firm. As a matter of Firm practice, advisory fees paid to us by clients referred by our Supervised Persons are not increased as a result of any referral.

## **ITEM 15 CUSTODY**

Client assets are held in custody by unaffiliated broker-dealers or banks known as “qualified custodians”. However, the Firm meets the Advisers Act definition of having custody over certain client accounts. For example, the Firm or its affiliates are general partners or managers of numerous private funds and are deemed to have custody of the assets in such private funds.

To comply with the Advisers Act Custody Rule (*i.e.*, Rule 206(4)-2) and to provide meaningful protection to investors, the Private Funds advised by Palisade are subject to an annual financial statement audit by an independent public accountant 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 standards and are distributed to each Private Fund’s investors within 120 days following the Private Fund’s fiscal year-end.

With respect to managed accounts, the Firm may access certain clients’ funds through our ability to debit advisory fees. In these cases, Palisade is considered to have custody of client assets under Rule 206(4)-2 of the Advisers Act. Clients should receive statements at least quarterly from the broker-dealer, bank, or other qualified custodian that holds and maintains the client’s investment assets. We encourage clients to carefully review these statements, and to compare these statements with statements provided by Palisade.

Palisade is deemed to have custody as a result of standing letters of authorization in place from clients (each a “SLOA”) that allow Palisade to direct the client’s custodian to send client funds based on the SLOA. Advisers relying on SLOAs to make certain disbursements on behalf of a client may avoid obtaining a surprise asset verification if each such client (i) provides written instructions to their custodian regarding specific disbursements that the client authorizes the custodian to make upon request of Palisade and (ii) provides Palisade with written instructions that explicitly describe the specific disbursements that the client authorizes Palisade to make. Further, the custodian must verify these instructions when executing each transaction and confirm these instructions at least annually with Palisade. Palisade has no ability change any routing information regarding such disbursements and the client can terminate such relationship at any time.

## ITEM 16 INVESTMENT DISCRETION

Palisade’s clients typically retain Palisade to provide discretionary investment advisory services, in which case we place trades in a client’s account without contacting the client prior to each trade to obtain the client’s permission. Investment decisions for the Private Funds are made in accordance with the applicable fund’s investment objectives, strategies, and guidelines, and are not specific to the individual needs of any particular investor in a specific Private Fund. Unless otherwise instructed or directed by a discretionary client, our discretionary authority includes the ability to do the following without contacting the client (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines):

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell.

Clients give us discretionary authority when they sign a discretionary investment management agreement with our Firm and may limit this authority by giving us written instructions. Clients may also change or amend such limitations by once again providing us with written instructions. Because of the differences in client investment objectives and strategies, risk tolerances, tax status, and other criteria, there will be differences among clients in invested positions and securities held.

Examples of restrictions that clients may (and customarily do) place on our discretionary authority include:

- Quantitative limitations on holdings, sectors, or industries (*e.g.*, no more than 5% of a portfolio may be comprised of any one security; no more than a comparable index’s weight in a particular sector);
- Restrictions on specific holdings (*e.g.*, no investments in the client company’s stocks or bonds, or those of subsidiaries and affiliates);
- Qualitative limitations on holdings (*e.g.*, bonds owned in the portfolio must be rated “B” or higher; no “broken” convertible bonds);



- Liquidity restrictions (*e.g.*, stocks must be traded on an exchange; no private placement securities); and
- Tax considerations (*e.g.*, no exposure to unrelated business taxable income (known as “UBTI”); no investments generating an Internal Revenue Service Form K-1).

Please see Item 12 of this Brochure above for a complete description of Palisade’s allocation procedures and other applicable brokerage policies.

## ITEM 17 VOTING CLIENT SECURITIES

Palisade will vote Client proxies if a Client specifically requests Palisade to do so and Palisade consents to such agreement in writing. With respect to ERISA accounts, Palisade will vote proxies unless the plan documents or the Client’s Investment Management Agreement with Palisade reserve the plan sponsor’s right to vote proxies. Clients may delegate such authority and responsibility to a properly authorized agent. If Clients delegate such authority to Palisade, this delegation generally is contained in the Client’s Investment Management Agreement with Palisade or in a separate written instruction. To direct Palisade to vote a proxy in a particular manner, Clients should (i) contact Palisade by mail at: Palisade Capital Management, L.L.C., One Bridge Plaza North, Suite 695, Fort Lee, New Jersey 07024-7102, Attn: Compliance Department, (ii) call their client service representative at (201) 585-7733, or (iii) send an email to [investorrelations@palcap.com](mailto:investorrelations@palcap.com). If Palisade agrees in writing to be responsible for voting Client proxies or making elections with respect to issuers of securities held in Client account(s), Palisade will vote proxies in accordance with Clients’ economic interests and in accordance with Palisade’s established policies and procedures. Palisade has contracted with Institutional Shareholder Services, Inc., a third-party proxy voting agent (the “Proxy Agent”) to provide research and assist with voting.

Palisade will retain all proxy voting books and records for the required period of time, including a copy of each proxy statement, a record of each vote, a copy of any document created that was used while deciding how to vote, and a copy of each written Client request for information on how Palisade voted. Clients may request information on how proxies for its shares were voted by contacting Palisade as described above.

For accounts where Palisade does not vote proxies, Palisade may provide investment advisory services relative to Client investment assets but Clients will maintain exclusive responsibility for: (i) directing the manner in which proxies solicited by issuers of securities beneficially owned by the Client as of the record date shall be voted, and (ii) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the Client’s investment assets. Clients that vote their own proxies are responsible for instructing each of their custodians to forward to the Client copies of all proxies and shareholder communications relating to the Client’s investment assets. If Palisade receives a proxy for a Client and does not have proxy voting authority, the proxy will be forwarded to the Client for voting as promptly as reasonably possible.



Except as noted in this policy, Palisade has no obligation or authority to vote any Client's proxy, to render any advice with respect to the voting of proxies, or to make elections solicited by or with respect to issuers of securities held by any Client. Accordingly, Clients will receive their proxies or other solicitations directly from their custodian and are responsible for voting such proxies on their own.

Unless otherwise agreed to in writing, Palisade will neither advise nor act on behalf of a Client in legal proceedings involving companies whose securities are held in such Client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, Clients may direct Palisade to transmit copies of class action notices to the Client or a third party. Upon such direction, Palisade will make commercially reasonable efforts to forward such notices in a timely manner. Notwithstanding the foregoing, Palisade has contracted with a third-party vendor to assist Clients (at a Client's request and sole expense) with the filing and processing of "Proofs of Claim" in class action settlements.

If Palisade exercises voting authority on behalf of a Palisade Client and maintains investment supervision of such Client's securities, then the following Proxy Voting Procedures (the "Procedures") will apply to those Client securities:

### ***Proxy Voting Procedures***

The Proxy Agent provides research to Palisade on each proxy issue, along with a proxy voting recommendation. The recommendations are determined in accordance with the Proxy Agent's guidelines, which Palisade has adopted as its general proxy voting policy (the "Guidelines"). Clients may obtain a copy of the Guidelines by submitting a request to Palisade, as described above.

Palisade's Compliance Department is responsible for monitoring receipt of research and recommendations from the Proxy Agent, obtaining voting decisions from the appropriate Palisade investment professionals responsible for voting (if necessary), and for ensuring that Client proxies are voted and submitted to the Proxy Agent in a timely manner. However, if Palisade does not send its vote preference to the Proxy Agent before the voting deadline, the Proxy Agent will vote Palisade Client proxies in accordance with its recommendations. If Palisade receives a physical proxy for a Client for whom Palisade has proxy voting authority, such proxy will be voted promptly in accordance with these Procedures and forwarded to the Proxy Agent for recordkeeping purposes.

When the Proxy Agent recommends voting a proxy consistent with the portfolio company management team's recommendation, such proxy will automatically be voted in accordance with the Proxy Agent's recommendation.

When the Proxy Agent recommends either withholding, voting contrary to the portfolio company management team's recommendation, or does not provide a recommendation for a particular ballot

issue, the applicable research and recommendation from the Proxy Agent will be forwarded to Palisade Chief Investment Officer & Co-Chairman Dennison T. Veru and the Investment Team that manages the portfolio owning the issue. If the Investment Team desires to vote the proxy contrary to the Proxy Agent's recommendation, a member of the Investment Team will provide a brief memorandum to Palisade's Conflicts of Interest Committee explaining the reasons for their desired vote. The Conflicts of Interest Committee will evaluate whether any material conflict of interest (as discussed below) has influenced the Investment Team's proxy voting decision and may approve an "override" of the Proxy Agent's recommendation if the Committee is comfortable that no such material conflict exists. In all cases, overriding consideration will be given to each Client's stated guidelines or restrictions, if any.

Any attempt to influence the proxy voting process by issuers or others not identified in these policies and Procedures should be promptly reported to the Chief Compliance Officer. Similarly, any Client's attempt to influence proxy voting with respect to other Clients' securities should be promptly reported to the Chief Compliance Officer.

Palisade will not neglect its proxy voting responsibilities, but Palisade may abstain from voting if it deems that abstaining is in its Clients' best interests. In addition, Palisade may be unable to vote securities that have been lent by a Client's custodian (under a separate agreement between the Client and its custodian), as such securities generally do not generate a proxy. Because Palisade has no knowledge of when securities are loaned by a Client's custodian, loaned securities are not subject to these Procedures. Also, proxy voting in certain countries involves "share blocking", which limits Palisade's ability to sell the affected security during a blocking period that can last for several weeks. Palisade believes that the potential consequences of being unable to sell a security usually outweigh the benefits of participating in a proxy vote, so Palisade generally abstains from voting when share blocking is required. The Compliance Department will prepare and maintain memoranda describing the rationale for any instance when Palisade receives but does not vote a Client's proxy.

### ***Conflicts of Interest***

A conflict of interest exists when Palisade has knowledge of a situation where Palisade, its Supervised Persons or affiliates would enjoy a special or increased benefit from casting a Client proxy vote in a particular way. A conflict of interest may occur in the following cases; however, this list is not all-inclusive:

- The issuer of securities that Palisade holds in Client accounts (and for which Palisade is required to vote Client proxies) is a Palisade client.
- Palisade is soliciting new business from an issuer of securities that Palisade holds in Client accounts (and for which Palisade is required to vote Client proxies).

- A Palisade Supervised Person (or a Supervised Person of a Palisade affiliate) serves as a director of an issuer of securities that Palisade holds in Client accounts (and for which Palisade is required to vote Client proxies).
- A Private Equity Fund managed by Palisade owns equity or debt of an issuer of securities that Palisade holds in Client accounts (and for which Palisade is required to vote Client proxies).

When a material conflict of interest occurs, the Proxy Agent will be solely responsible for voting the affected Client proxy based on its Guidelines or specific Client restrictions, and Palisade will not be permitted to “override” the recommendation (as described above). When a non-material conflict occurs, Palisade’s Conflicts of Interest Committee will be permitted to “override” the recommendation (as described above). As used above, a conflict of interest is presumed to be “material” if it involves 1% or more of Palisade’s annual revenue. The definition of “material” is subject to change at Palisade’s discretion.

Palisade will document all conflicts of interest, whether or not material, and keep the documentation with the Client’s proxy records. Such documentation will be compiled by the Conflicts of Interest Committee and be attached to the Proxy Agent’s certification and voting statement. All documentation in connection with a Palisade conflict of interest will be sent to the Client for whom there was a conflict.

Palisade maintains a list of securities and issuers (known as the “Restricted List”) that cannot be traded in Client or employee personal accounts. The Restricted List minimizes the possibility of the occurrence of a material conflict of interest by prohibiting the trading of securities of issuers where Palisade possesses non-public information, or where Palisade deems it necessary or prudent for other compliance, business, or regulatory objectives. Palisade updates its Restricted List promptly as needed.

## **ITEM 18 FINANCIAL INFORMATION**

### **A. Balance Sheet**

Palisade is not required to provide a balance sheet.

### **B. Financial Conditions and Impairment of Contractual Commitments to Clients**

As an advisory firm that maintains discretionary authority and custody for client accounts, we are required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. Palisade does not have any financial condition that meets this criterion.

**C.     Bankruptcy Filings**

Palisade has never been the subject of a bankruptcy petition.

## ANNEX A    PRIVACY NOTICE

FACTS	WHAT DOES PALISADE CAPITAL MANAGEMENT, L.L.C. (“PALISADE”) DO WITH YOUR PERSONAL INFORMATION?	
WHY?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.	
WHAT?	<p>The types of personal information we collect and share depend on the product or service you have with us. This information can include:</p> <ul style="list-style-type: none"> <li>▪ Social security number</li> <li>▪ Income</li> <li>▪ Assets</li> <li>▪ Risk tolerance</li> <li>▪ Wire transfer instructions</li> <li>▪ Transaction history</li> </ul> <p>When you are no longer our customer, we continue to share information about you as described in this notice.</p>	
HOW?	All financial companies need to share customers’ personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers’ personal information; the reasons Palisade chooses to share; and whether you can limit this sharing.	
Reasons we can share your personal information	Does Palisade Share?	Can you limit this sharing?
<b>For our everyday business purposes</b> - such as to process your transactions, maintain your accounts(s) or respond to court orders and legal investigations.	Yes	No
<b>For our marketing purposes</b> - to offer our products and services to you	No	We don’t share
<b>For joint marketing with other financial companies</b>	No	We don’t share
<b>For our affiliates' everyday business purposes</b> - information about your transactions and experiences	Yes	No
<b>For our affiliates' everyday business purposes</b> – information about your creditworthiness	No	We don’t share
<b>For nonaffiliates to market to you</b>	No	We don’t share
Questions?	Call Bradley Goldman, Managing Director, General Counsel & Chief Compliance Officer at (201) 585-5433 or visit us on the web at <a href="https://www.palisadecapital.com">https://www.palisadecapital.com</a> .	

## Who we are

## Who is providing this notice?

This notice is being delivered by Palisade Capital Management, L.L.C., Palisade Strategic Fund (Cayman) Limited, Palisade Strategic Fund (Domestic) LLC, Palisade Long Short Alpha Fund (Domestic) LLC, Palisade Private Partnership II, LP, Palisade Private Holdings II, LLC, Palisade Concentrated Equity Partnership, LP, Palisade Concentrated Holdings, LLC, Palisade Concentrated Equity Partnership II, LP, Palisade Concentrated Holdings II, LLC, Palisade Medical Equity I, L.P., Palisade Medical Equity Holdings I, LLC, Palisade Capital Advisors, LLC, and Axe-Houghton® Associate Investment Fund, LLC.

## What we do

## How does Palisade protect my personal information?

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.

## How does Palisade collect my personal information?

We collect your personal information, for example, when you

- Enter into an investment advisory contract
- Seek financial advice
- Make deposits or withdrawals from your account
- Tell us about your investment or retirement portfolio
- Give us your employment history

## Why can't I limit all sharing?

Federal law gives you the right to limit only

- sharing for affiliates' everyday business purposes—information about your creditworthiness
- affiliates from using your information to market to you
- sharing for nonaffiliates to market to you

State laws and individual companies may give you additional rights to limit sharing.

## Definitions

## Affiliates

Companies related by common ownership or control. They can be financial and nonfinancial companies.

- *Our affiliates generally include entities associated with private funds advised and managed by Palisade.*

## Nonaffiliates

Companies not related by common ownership or control. They can be financial and nonfinancial companies.

- *Palisade does not share with nonaffiliates so they can market to you.*

## Joint Marketing

A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

- *Palisade does not jointly market.*