



**SNYDER**  
CAPITAL MANAGEMENT, L.P.

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## **Item 1 – Cover Page**

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## **Form ADV Part 2A – Firm Brochure**

**March 24, 2020**

This Brochure provides information about the qualifications and business practices of Snyder Capital Management, L.P. (herein “SCM”). If you have any questions about the contents of this Brochure, please contact us at (415) 392-3900 or [amfoley@snydercapital.com](mailto:amfoley@snydercapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

SCM is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser. Additional information about SCM 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. The CRD number for SCM is 108518.

## **Item 2 – Material Changes**

This Brochure amends our Brochure dated March 20, 2019.

Additional services, which includes consulting investment services, has been added to Item 4 since the last update. Additional Information about SCM is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **Item 4 – Advisory Business**

### Background and Ownership

Snyder Capital Management, L.P. (“SCM”) is a San Francisco based investment advisory firm established in 1984 and is independently owned as of January 1, 2016. SCM is staffed by experienced, research-oriented investment professionals who provide investment management services to foundations, endowments, corporations, public entities, insurance companies, individuals, and high net worth individuals.

### Primary Business

SCM provides non-custodial discretionary investment management services and consulting investment services to individuals and institutional investors primarily through separate accounts in our small, small/mid, or concentrated strategies. SCM also provides investment management services to two investment limited partnerships and serves as the investment adviser to a collective investment fund. (Item 8 provides more information about our investment strategies).

For discretionary investment management services, SCM receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. Subject to SCM’s consent, the client may impose specific investment restrictions and guidelines (e.g., limitations on security exposure). In all cases, however, SCM exercises investment discretion in a manner consistent with the stated investment objectives for the particular client account.

SCM typically invests in U.S. Equities and foreign companies that are traded on U.S. exchanges. However, SCM may from time to time invest client assets in securities and warrants, options or rights to acquire securities through private placement transactions, although the securities or the underlying securities are of classes that are traded in public securities markets. In such cases, it may not be possible to resell such securities or instruments for extended periods, even if the value of the securities depreciates materially.

For its consulting investment services, SCM provides non-discretionary investment services in the form of model portfolios that are used by a non-affiliated outside Manager to manage their advisory client accounts. SCM provides on-going non-discretionary recommendations and investment advice regarding such model portfolios and provides updates and changes as needed.

SCM is the investment manager to and general partner of Stirling Partners, a California limited partnership, and Snyder Small Cap Value Fund, L.P., a Delaware limited partnership, which invests in securities. SCM may solicit investors who may or may not be clients of SCM to invest in such partnerships.

As of December 31, 2019, SCM managed \$2.662 billion in assets under management on a discretionary basis.

## **Item 5 – Fees and Compensation**

### Separately Managed account strategies

As a general rule, SCM's management fees are based on a percentage of assets under management. Fee structure is negotiable depending on amount of assets, type of client, type of mandate, and pre-existing relationship with SCM. SCM's fees are disclosed to the client in the client's Investment Advisory Agreement and will not be greater than .25% charged quarterly (1.00% annually). The separate account fee SCM charges does not apply to accounts of clients participating in certain programs sponsored by financial intermediaries, advisers or planners where SCM is the investment adviser. For such accounts, the investment advisory fee will be negotiated with the program sponsor and depends on account size, assets class, services, and other relevant factors.

SCM also serves as investment adviser for a collective investment trust ("CIT"), sponsored and administered by a third party, that pursues the small/mid-cap investment strategy. Its fees to clients is not greater than .25% charged quarterly (1.00% annually).

Fees for its consulting investment services are negotiated separately and is dependent on the nature, complexity, and services provided by SCM. Fees are fixed or based on a percentage of the assets under management and are paid in accordance to the executed service agreements.

Specific fee arrangements with investment partnership clients are described below.

### Snyder Small Cap Value Fund ("SCVF")

SCM charges SCVF a quarterly management fee of 0.25% (1.00% annually) of the balance of each limited partner's capital account that is payable in advance based on the value of the assets of SCVF as calculated as of the close of the preceding quarter. If an account is terminated during the quarter, the prepaid but unearned management fees will be refunded. A current investor who withdraws from SCVF on a date other than the last day of a quarter, however, does not receive a refund of the management fee previously paid, rather the lower fee, if applicable, will be reflected in the next quarter's billing. SCM does not receive a performance-based fee from SCVF.

### Stirling Partners ("Stirling")

SCM charges Stirling a quarterly management fee of 0.25% (1.00% annually) of the balance of each limited partner's capital account that is payable based on the value of the assets of Stirling as calculated as of the close of the preceding quarter. If an account is terminated during the quarter, the prepaid but unearned management fees will be refunded. A current investor who withdraws from Stirling on a date other than the last day of a quarter, however, does not receive a refund of the management fee previously paid, rather the lower fee, if applicable, will be reflected in the next quarter's billing. SCM does not receive a performance-based fee from Stirling.

### General Information on Fees

SCM believes that its fees are competitive with fees charged by other investment advisers for comparable services, but comparable services may be available from other sources for lower fees than those charged by SCM.

The specific manner in which fees are charged by SCM is established in a client's written agreement with SCM. Except as otherwise agreed to in particular cases and identified in the client agreement, fees are payable by individually managed accounts in advance at the beginning of each quarter. Clients elect to be billed directly for fees, authorize SCM to directly debit fees from client accounts, or elect an alternate payment method upon inception of the client account. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon 30 days written notice of termination, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

SCM's fees are exclusive of brokerage commissions, transaction fees and other related costs and expenses which shall be incurred by the client. Clients will incur certain charges imposed by custodians, brokers, third party investment and other third parties such as brokerage commissions, transaction fees, custodial fees, transfer taxes, wire transfer fees, and other fees and taxes charged to brokerage accounts and securities transactions, which are unrelated to the fees collected by SCM. (Item 12 provides more information on our brokerage practices).

### Expenses

Each account is responsible for its own costs and expenses, including trading costs and expenses (such as brokerage commissions, expenses related to short sales, and clearing and settlement charges), ongoing legal, accounting, tax preparation and bookkeeping fees and expenses, and the fees and expenses charged by any fund administrator for its accounting, bookkeeping and other services. SCM bears its own operating, general, administrative and overhead costs and expenses, other than the expenses described above. All or part of these costs and expenses may be paid, however, by securities brokerage firms that execute clients' securities trades, as discussed in Item 12 below.

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

SCM does not currently charge performance-based fees. Typically, an account that does not pay performance-based compensation pays a higher asset-based fee. Regardless, SCM has a conflict of interest if, in any time period, one fee structure would cause higher fees to SCM than the other fee structure, because SCM would have an incentive to favor the account that would pay the higher fees. To address this conflict, SCM has adopted policies and/or procedures that are designed to address each of these conflicts resulting in the equitable treatment of all of SCM's clients.

### **Item 7 – Types of Clients**

SCM provides discretionary investment services to individuals, high net worth individuals, trusts, endowment funds, charitable organizations, foundations, pension and profit-sharing plans, state and municipal government entities, sovereign funds, corporations, corporate pensions, Taft-Hartley plans, insurance companies, and other businesses, and to investment limited partnerships.

The minimum account size for all separate accounts is \$10 million; however SCM may agree to manage separate accounts below our stated minimum account size. \$1,000,000 is the minimum for partners investing in the limited partnerships managed by SCM. SCM requires such limited partners to make representations concerning their sophistication as investors and their ability to bear the risk of loss of their entire investment under SCM's management.

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

### ***Methods of Analysis and Investment Strategies:***

SCM invests with a long-term perspective in what we believe to be high quality, under-appreciated companies that are trading at a discount to intrinsic value. The investment team uses four criteria for evaluating quality: moat, management, model and metrics. Emphasis is placed on differentiated businesses with sustainable competitive advantages.

SCM uses metrics based on the industry and where we are in the cycle. This leads to reliance on an adjusted 3-year cash flow and EBITDA analysis for valuation purposes.

***SCM's objective is long-term growth of principal and its*** approach is to identify high-quality companies with an emphasis on differentiated businesses with sustainable competitive advantages. We focus on business, financial and management quality. It is the Firm's belief that this focus on higher quality companies leads to greater absolute and relative performance and more consistent returns.

SCM invests in companies selling below their long-term intrinsic value and where it is believed their intrinsic value may not be recognized by the market such as new products, services, hidden assets, acquisitions and divestitures.

The process embodies an emphasis on fundamental research, that is achieved by keeping the ratio of owned stocks to investment professionals low.

SCM looks to invest in all sectors of stocks listed on U.S. exchanges with a market capitalization above \$200 million at initial purchase. SCM does not generally invest in: Companies considered to be speculative, often due to a combination of high financial and operating leverage; Binary event companies, such as those usually found in the biotechnology industry; and Companies dominated by short



product life cycles, such as those found in certain sub-sectors of the technology sector.

The investment process and research efforts are based on a fundamental, bottom-up stock selection approach that emphasizes high quality companies selling at attractive valuations.

The process is predominately internally driven and is divided into five steps: Idea Generation; Thesis Development; Thesis Confirmation; Valuation Discipline; and Portfolio Construction.

1. Idea Generation. Ideas come from many areas including: meeting management teams; attending trade shows and industry conferences; key word searches; identifying attractive industry themes/trends; and/or companies undergoing material change (i.e., operational turnaround, restructuring, spin-off, new product/service, or new management). As long term investors with companies, Snyder tends to have strong relationships with management teams. These management teams are often good sounding boards for new ideas.
2. Thesis Development. The team conducts bottom-up research to gain an understanding of a company's business, its competitive advantages/barriers to entry, and their sustainability. The process centers on the ability of a company to control its own destiny and generate consistent free cash flow. An investment thesis, an understanding of the business, a brief write-up and a preliminary set of financials and valuation estimates are the usual result. The analyst will vet the company with a sponsor analyst.
3. Thesis Confirmation. This step is iterative and involves in-depth analysis where research is conducted to ensure that everything we believe in our thesis, particularly the business and management quality, is correct. This analysis involves direct engagement with management, company competitors, customers, suppliers and/or other stakeholders. Detailed financial statements and models are prepared as part of an ESG evaluation.

4. Valuation Discipline. PM/Analysts and Research Analyst vet the idea as a team and each team member will often conduct their own independent research on a potential investment. When the team meets, the thesis is challenged and designed to provide a reality check and uncover any blind spots and hidden biases. Additional research may be warranted.
5. Portfolio Construction. The Portfolio Managers vote on the idea and a majority vote. Initial positions are driven primarily by the stock's valuation and relative risk/reward. Sector weights and underlying macro-economic factors are considered when approving an idea in addition to sizing the position.

SCM believes that capital preservation is as important as capital growth. Both target upside price, as well as downside price (based on different risk scenarios), and are used to develop a risk/reward profile. Prospective companies that do not fit within the valuation criteria objective are placed on a "watch-list," where each team member continues to monitor the company until such time as its risk/reward profile becomes more compelling.

SCM offers the following strategies:

Small-Cap Value strategy – generally invests in securities of companies with market capitalizations at point of initial purchase above \$200 million that are in the Russell 2000® Index or within the range of the Russell 2000 Index as of the most recent reconstitution. The strategy seeks to generate returns in excess of the related benchmark (the Russell 2000® Index, or other representative index), primarily via stock selection.

Small/Mid-Cap Value strategy – generally invests in securities of companies listed on U.S. exchanges that meet at least one of the two following criteria: is a member of the Russell 2500™ Index, or has a market capitalization within the range of the Russell 2500™ Index when it was last reconstituted. The strategy seeks to generate consistent long-term performance that is in excess to the Russell 2500™ Index, or other representative index, primarily via stock selection.

Concentrated strategy – generally invests in securities of companies with market capitalizations in the range of \$200 million and over. The strategy seeks to generate excess returns relative to the Russell 3000® Index, or other representative index, primarily via stock selection.

### ***Risk of Loss:***

**Investing in securities involves risk of loss and clients should be prepared to bear this loss. Some of those risks are identified below and is not intended to be an all-inclusive list.**

*Competition Risk:* There can be no assurance that SCM will locate, execute, and exit investments that satisfy a portfolios' rate of return objectives or that a portfolio will be able to invest fully its committed capital.

*Concentration Risk:* Having a concentration of investments in a market, industry, sector or other concentrated factor means that performance will be more susceptible to loss due to adverse occurrences affecting that specific targeted area.

*Equity Risk:* Equities can be more volatile than other asset classes and their value is in response to many factors, including, but not limited to factors specific to an issuer and industry. The market value of a security will move up and down, sometimes rapidly and unpredictably, based upon a change in an issuer's financial condition, as well as overall market and economic conditions.

*Investment Style Risk:* Investment styles shift in and out of favor depending upon market and economic conditions and investor sentiment. Portfolios can outperform or underperform other portfolios that invest in similar asset classes but employ different investment styles.

*Liquidity Risk:* There may be a limited number of purchasers and sellers, whereby it could limit the ability of a portfolio to sell or buy securities at the price expected. Liquidity risk can reduce a portfolio's returns because the portfolio may be unable to transact at advantageous times or prices. Illiquid investments or investments that trade in lower volumes may be more difficult to value.

*Market Risk:* All investments present the risk of loss of principal – the risk that the value of securities, when sold or otherwise disposed of, may be less than the price paid for the securities. Even when the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment.

*New Issue Securities Risk:* Because of the lack of historic information for new issues, limited information may be available to perform an in-depth evaluation. Subsequent to the purchase of a new issue security, new information may become publicly available, causing the firm to re-evaluate its position in the security.

*Operational Risk:* Inadequate or failed internal processes, people and systems, or external events can pose a direct or indirect risk when investing. This includes errors, omissions, system breakdowns, natural disasters, and fraudulent activity, which could cause impact in terms of unavailability of services and potential loss.

*Small-Cap and Mid-Cap Risk:* Small-cap and mid-cap companies are more likely than larger companies to have limited product lines, markets or financial resources, or to depend on a small, less experienced management group. Securities of these companies often trade less frequently and in limited volume and their prices may fluctuate more than securities of larger companies. Securities of small-cap and mid-cap companies may therefore be more vulnerable to adverse developments than those of larger companies.

*Other Risks and Vulnerabilities:* Epidemics, pandemics and other unforeseen global emergencies, and reactions to such emergencies could cause uncertainty in markets and businesses, including the Firm's business, and may adversely affect the performance of the global economy, including causing market volatility, market and business uncertainty and closures, supply chain and travel interruptions, the need for employees and vendors to work at external locations, and extensive medical or personal absences. The Firm has policies and procedures in place to address many different events, however, significant outages, shortages and emergencies because of a large unexpected global situation could create significant market and business uncertainties and disruptions, therefore, not all events that could affect the Firm's business and/or the markets can be determined and addressed in advance.

The Firm's business operations may be vulnerable to disruption in the case of catastrophic events such as fires, natural disaster, terrorist attacks or other circumstances resulting in property damage, network interruption and/or prolonged power outages. Although the Firm has implemented, or expects to implement, measures to manage risks relating to these types of events, there can be no assurances that all contingencies can be planned for. These risks of loss can be substantial and could have a material adverse effect on the Firm and investments therein.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of SCM or the integrity of SCM's management. SCM has no information applicable to this Item.

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

SCM is the investment manager and general partner of Stirling Partners and Snyder Small Cap Value Fund, L.P., each a limited partnership that invests in securities, and solicits investors who may or may not be clients of SCM to invest in such partnership.

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

All employees are subject to the restrictions contained within the SCM Code of Ethics (the "Code"). The Code describes our high standards of business conduct, fiduciary duty to our clients, and rules surrounding personal securities trading by our employees. It requires employees to receive pre-approval for personal trades of equities. Employees' accounts subject to SCM's Code are required to have their custodian(s) send duplicate statements and trade confirmations, or equivalent to SCM's Chief Compliance Officer ("CCO") for review. It also requires employees to report any violations of the Code promptly to SCM's CCO. Each employee of SCM receives a copy of the Code and any amendments to it and they must acknowledge in writing having received the materials. All employees must certify that he or she complied with the Code during the prior 12 month period on an annual basis. Clients and prospective clients may obtain a copy of SCM's Code of Ethics by contacting Ann Marie Foley, Chief Compliance Officer, at (415)392-3900.

With regard to personal trading, employees may personally invest in the same securities that are purchased for clients, and they may own securities that are subsequently purchased for clients. Except as described below in Item 12 regarding aggregating securities transactions, if a security is purchased or sold for clients and SCM's employees on the same day, either the clients and the employees will pay or receive the same price, or the clients will receive the more favorable price. Employees may also buy or sell a specific security for their own accounts based on personal

investment considerations, which they do not deem appropriate to buy or sell for clients.

SCM manages portfolios on behalf of several employees. Management for these accounts is identical to the advice provided to other client accounts. Procedures in place are designed to ensure that employee accounts are managed according to regulations.

## **Item 12 – Brokerage Practices**

SCM has complete discretion over the selection and amount of securities to be bought or sold without obtaining specific client consent. Because SCM engages in an investment advisory business and manages more than one account, there may be conflicts of interest over SCM's time devoted to managing any one account and the allocation of investment opportunities among all accounts managed by SCM. SCM will attempt to resolve all such conflicts in a manner that is generally fair to all of its clients. SCM may give advice and take action with respect to any of its clients that may differ from advice given or the timing or nature of action taken with respect to any particular client so long as it is SCM's policy, to the extent practicable, to allocate investment opportunities over a period of time on a fair and equitable basis relative to other clients. SCM is not obligated to acquire for any account any security that SCM or its employees may acquire for its or their own accounts or for the account of any other client, if in the absolute discretion of SCM, it is not practical or desirable to acquire a position in such security for that account.

Generally, SCM has complete discretion over the selection of the broker to be used and the commission rates to be paid. In selecting a broker for any transaction or series of transactions, SCM may consider a number of factors, including, for example, net price, reputation, financial strength and stability, efficiency of execution and error resolution, block trading capabilities, and other matters involved in the receipt of brokerage services.

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

Consistent with obtaining best execution, a client's commissions on portfolio transactions (or a portion thereof) may be used by SCM to pay for certain research services, economic and market information, portfolio strategy advice, industry and company comments, news wire charges, Bloomberg charges, technical data, recommendations, general reports, consultations and performance measurement data (a practice known as Soft Dollar Benefits). With respect to certain computer

equipment and software used for both research and non-research purposes, SCM allocates the costs of such products between their research and non-research uses, and uses soft dollars to pay only for the portion allocated to research uses.

SCM may pay more in brokerage commissions than what another broker/dealer might charge for the same transaction to receive brokerage, research and other services and soft dollar relationships. In such a case, however, SCM determines in good faith that such commission is reasonable in relation to the value of brokerage, research and other services and soft dollar relationships provided by such broker/dealer, viewed in terms of either the specific transaction or SCM's overall responsibilities to the portfolios over which SCM exercises investment authority. An account may, however, pay higher brokerage commissions than are otherwise available, or may pay more brokerage commissions based on account trading activity. In addition, some clients may direct SCM to use a broker that does not provide soft dollar benefits to SCM. The research and other benefits resulting from this brokerage relationship may benefit all SCM accounts or SCM's operations as a whole.

SCM's relationships with brokerage firms that provide soft dollar services to SCM may influence SCM's judgment in allocating brokerage business and create conflicts of interest, both in allocating brokerage business between firms that provide soft dollar services and firms that do not, and in allocating the costs of mixed-use products between their research and non-research uses. These conflicts of interest are particularly influential to the extent that SCM uses soft dollars to pay expenses it would otherwise be required to pay for itself. In conducting its soft dollar relationships, SCM relies on the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934.

#### Directed Brokerage

Some clients direct SCM to use a specific broker (directed brokerage). Transactions for these clients will generally be executed following the execution of portfolio transactions in other client accounts where SCM has full discretion to execute trades. Clients who request directed trades may pay higher brokerage commissions because SCM may not be able to aggregate orders to reduce transaction costs, and may also receive less favorable prices and execution.

#### Trade Aggregation

In general, investment decisions are made to purchase or sell the same security or securities for a number of client accounts simultaneously. SCM's default allocation

strategy is pro-rata. Each Client Account that participates in an aggregated securities transaction participates at the average share price for all transactions in the security for which that aggregated order is placed on the date that such order is placed. Transaction costs are shared in proportion to Client Accounts' participation. Portfolio transactions for client accounts may also be completed independently from other accounts in order to accommodate additions to, or a withdrawal from, or to re-balance a portfolio to bring it in line with the correlated strategy's model.

### **Item 13 – Review of Accounts**

Client accounts are monitored on a periodic basis for consistency with client objectives and restrictions by our trading department, our Portfolio Managers, and our compliance department.

As indicated in Item 15, in addition to monthly or quarterly reports provided by the clients' custodian, SCM provides all clients with written reports indicating the market value and present investment positions on a quarterly basis. Clients are urged to carefully review these reports and compare the statements that they receive from their custodian to the reports that provided. The information in our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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

SCM may enter into referral agreement(s) for the solicitation of potential clients. Under the terms of the agreements, the soliciting party will refer prospective institutional clients, consultants and high net worth individuals to SCM and in return receive a percentage of annual investment advisory fees received from such clients. In all cases, the soliciting party will disclose their relationship with SCM to the prospect or consultant at the time of the referral and, in the case of unaffiliated solicitors, obtain an executed Disclosure Statement to Prospective Clients prior to SCM undertaking the account for management.

Neither SCM, nor any of our employees, receives any economic benefit, sales awards or other prizes from any outside parties for providing investment advice to our clients.



## **Item 15 – Custody**

Each of the accounts managed by SCM has an unaffiliated custodian selected by the Client for custody and safekeeping of portfolio assets. The custodian is responsible for, among other things, opening and maintaining a custody account or accounts in the name of the Client and holding and administering all assets of the Client as shall be deposited by the Client from time to time with and accepted by the custodian.

Clients receive statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets at least quarterly. SCM urges clients to carefully review such statements and compare such official custodial records to the account statements that are provided to them to determine whether account transactions, including deductions to pay our advisory fee, are proper. Our statements may vary from custodial statements based on accounting procedures (a 'trade date' based statement versus a 'settlement date' based statement), reporting dates, or valuation methodologies of certain securities (i.e. different pricing vendors).

The limited partners and shareholders of Stirling and SCVF will be provided an annual audited financial statement within 120 days after the end of each fiscal year.

## **Item 16 – Investment Discretion**

Normally, SCM is engaged by clients (institutional, individual, etc.) to provide advisory services for their accounts where investment decisions are implemented on a fully-discretionary basis through the execution of a Trading Authorization on the client's account held at the custodian. The Trading Authorization provided on an account is limited by any client guidelines and/or restrictions received by the client in writing. These restrictions could include, but not be limited to, such areas as: permissible cash levels, percentage of a portfolio that can be invested in one issuer, etc. Guidelines and restrictions must be provided to SCM in writing and may be amended in writing throughout the relationship as necessary.

The Trading Authorization and any associated guidelines and/or objectives are discussed, agreed upon and executed in connection with the overall investment management agreement for the account.

## **Item 17 – Voting Client Securities**

SCM, through Institutional Shareholder Services, Inc. (“ISS”), will vote proxies on behalf of each account for which it has proxy voting authority based on SCM’s determination of the best economic interests of that account. SCM has retained ISS to provide research and recommendations on proxy voting issues and to vote proxies for each account, in accordance with the policies described below. SCM may instruct ISS to vote in a manner other than that recommended if SCM deems it in the best interests of the account. In determining whether a proposal serves the best economic interests of an account, SCM will consider a number of factors, including the economic effect of the proposal on shareholder value, the threat posed by the proposal to existing rights of shareholders, the dilution of existing shares that would result from the proposal, the effect of the proposal on management or director accountability to shareholders, and, if the proposal is a shareholder initiative, whether it wastes time and resources of the company or reflects the grievance of one individual. SCM may instruct ISS to abstain from voting proxies when SCM believes it is appropriate.

SCM undertakes to vote all client proxies in a manner reasonably expected to ensure the client’s best interest is upheld and in a manner that does not conflict with the client’s best interest to that of SCM’s in instances where a material conflict exists. SCM’s goal is to vote proxy material in a manner that assists in maximizing the value of client portfolios.

A client may obtain a copy of SCM’s proxy voting policy and a record of votes cast by SCM on behalf of that client by contacting Ann Marie Foley, Chief Compliance Officer, at 415-392-3900.

## **Item 18 – Financial Information**

Disclosure of SCM’s balance sheet is not required as the firm does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

SCM has no financial condition that is reasonably likely to impair its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.