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## **Cox Gestão de Recursos Ltda. (a/k/a Cox Capital Management)**

Rua Tabapua, 145 – 8º floor

Itaim

CEP 04533-902

São Paulo/SP - Brazil

+55 11 3321.7100

[coxcap@coxcap.com.br](mailto:coxcap@coxcap.com.br)

[www.coxcap.com.br](http://www.coxcap.com.br)

**This brochure provides information about the qualifications and business practices of Cox Capital Management. If you have any questions about the contents of this brochure, please contact us at +55 11 3321.7100 and/or [coxcap@coxcap.com.br](mailto:coxcap@coxcap.com.br). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Cox Capital Management 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 to enable you to determine whether to hire or retain an adviser.**

**Additional information about Cox Capital Management also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**March 2020**

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## **ITEM 2 – MATERIAL CHANGES**

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No material changes to this Brochure have been made from the previous version dated March, 2019. Minor changes, including updates regarding regulatory assets under management and enhancements and clarifications throughout have been made. Clients and prospective clients are encouraged to read the Brochure in detail and contact us with any questions.

Our brochure may be requested by contacting Patricia Hanna Sakai Correa, the COO of Cox Capital Management, at +55 11 3321.7109 or [backoffice@coxcap.com.br](mailto:backoffice@coxcap.com.br).

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## **ITEM 4 – ADVISORY BUSINESS**

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### **Adviser's Advisory Business**

Founded in October 2006, Cox Gestão de Recursos Ltda., a/k/a Cox Capital Management, a Brazilian corporation (“Cox Capital” or the “Adviser”), is an investment manager that provides discretionary investment management services to various clients, including private investment companies and separately managed accounts for accredited investors and qualified clients. Cox Capital is registered with Comissão de Valores Mobiliários (“CVM”), the Brazilian financial markets regulator and is principally owned by Rodrigo Leonardo Anunciato, a founding partner, shareholder and portfolio manager of the Adviser.

### **Types of Advisory Services Adviser Offers**

Currently, Cox Capital provides investment advisory services to US managed account clients (the “Managed Accounts”). Additionally, the Adviser provides advisory services to Brazilian based funds regulated by the Comissão de Valores Mobiliários (“CVM”), the Brazilian equivalent to the U.S Securities and Exchange Commission (“SEC”).

The Managed Accounts are managed in accordance with the risk profile of each individual investor and the agreed upon objectives as established by the management agreements. The Adviser expects that its investment activities will generally focus on investments in various kinds of assets and securities in G7 markets, the Brazilian market, and any other markets that may fit within a client's objective.

### **Assets Under Management**

As of December 31, 2019, Cox Capital had regulatory assets under management of US\$ 149.6 million all of which was managed on a discretionary basis.

## **ITEM 5 – FEES AND COMPENSATION**

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### **Adviser's Basic Fee Schedule**

The specific manner in which fees are charged by Cox Capital is established in a client's written agreement with the Adviser. Generally and pursuant to contract, fees will be based upon a percentage of the total assets in the account (including margined assets) and will be charged quarterly in arrears. Specific fees are stated in the management agreement for individual clients.

Cox generally receives a Management Fee equal to an amount between 1% to 2% on an annual basis, and such management fees will usually be charged quarterly in arrears as of the last day of each calendar quarter, in accordance with the management agreement for such client.

Cox Capital's actual fees, minimum fees, and minimum account sizes may be negotiated and may vary from the fees described above. A client may pay more or less fees than similar clients

depending on the particular circumstances of the client such as, size, liquidity terms, early investment, additional or differing levels of servicing or as otherwise agreed with specific clients. Clients that negotiate fees, including a flat fee, may end up paying a higher fee than that set forth in the fee schedules above as a result of fluctuations in the client's assets under management and account performance.

### **Other Fees and Expenses**

In addition to investment management fees and performance-based fees (as described in Item 6 below), investors will bear any other costs charged to the managed accounts. Such costs will vary and typically include, though are not limited to, accounting, legal, custody, administration fees and other related costs. Furthermore, the Adviser's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by each client. The impact of mark-ups and mark-downs shall also be incurred by the clients. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Such charges, fees and commissions are exclusive of and in addition to Cox Capital's fees, and the Adviser shall not receive any portion of these commissions, fees, and costs.

### **Calculation and Deduction of Fees**

The fees for each client, including the management and other fees and expenses described in Item 5, and performance-based fees and allocations described in Item 6 below, will be deducted directly from the clients' accounts by the custodians and sent to the Adviser. Clients' account statements will generally include line items showing the deduction of these fees.

Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of *de minimis* contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee.

Advisory contracts may generally be terminated by either party upon 30-90 days' written notice. As fees are generally charged in arrears, no refund of advisory fees should be necessary. If fees should be paid in advance, they will be refunded pro rata upon termination. The Adviser may have negotiated advisory contracts which have different termination provisions than those described above.

Item 12 further describes the factors that Cox Capital considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

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

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In addition to the management fee described above in Item 5, Cox Capital will generally receive a performance-based fee from each client that it advises and manages.

Performance fees for the Managed Accounts are based upon a percentage, generally 10% to 20%, of the net capital appreciation in the clients' investments for the year, to the extent that such result exceed any performance hurdles, when applicable.

Performance-based fee arrangements may create an incentive for the Adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements may also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. The Adviser will allocate investment opportunities between each client on a fair and equitable basis, subject to applicable law and client guidelines.

## **ITEM 7 – TYPES OF CLIENTS**

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Cox Capital primarily provides portfolio management services to private investment companies and separately managed accounts for accredited investors and qualified clients.

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

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

The Adviser will utilize various financial publications and third-party research to make initial asset allocation decisions and subsequent tactical decisions. Asset allocation programs focus on the investment objectives and risk tolerances specific to each client. Additionally, the Adviser will utilize a fundamental approach when analyzing investment opportunities. Cox Capital may also employ a number of other strategies, including long and short-term purchases, margin transactions and options.

Cox Capital's mission is to provide superior long-term investment returns on Brazilian equities, on a risk-adjusted basis, under a disciplined value investing philosophy. The Adviser will focus on three values while pursuing its mission:

- (i) People: In order to find investment opportunities and to produce sophisticated business analysis, it is essential to hire, train, retain and motivate talented people.
- (ii) Excellence: focus on only a few investments, chosen through careful and thorough analysis.
- (iii) Clients: The interests of the Adviser's clients are top priority.

However, as discussed below, investing in securities and other investment products involves risk of loss that clients should be prepared to bear.

## **Material Risks for Significant Investment Strategies**

While it is the intention of Cox Capital to implement strategies which are designed to minimize potential losses suffered by its client, there can be no assurance that such strategies will be successful. It is possible that a client may lose a substantial portion or all of its assets in connection with investment decisions made by the Adviser. The following is a discussion of material risks for the Adviser's significant investment strategies, but it does not purport to be a complete explanation of all the risks involved in Cox Capital's investment strategies.

### *Investing in Emerging Markets*

A significant part of the Adviser's investment strategy will be selecting and recommending securities of emerging markets' countries ("Emerging Markets"). The following discussion sets forth some of the risks associated with investing in the securities of such markets:

General Economic and Market Conditions. The success of the Adviser's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the client's portfolio. Volatility or illiquidity could impair the profitability of, or result in losses for, a client's portfolio.

The Emerging Markets economies may differ favorably or unfavorably from the U.S. or other economies in such respects as growth of gross domestic product, rate of inflation, currency depreciation, asset reinvestment, resource self-sufficiency and balance of payments position. Further, the Emerging Markets economies are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which it trades.

Where assets in a client's portfolio are invested in narrowly-defined markets or sectors of a given economy, risk is increased by the inability to broadly diversify investments and by potentially adverse developments within those markets or sectors.

Volatility. Emerging Markets are more likely than more developed markets to experience periods of high volatility. Such volatility could result in substantial losses for the client's portfolio.

Risk of Errors and Omissions in Information. There may be less publicly available information about companies in Emerging Markets than about companies in more developed countries. Furthermore, the quality and reliability of official data published by the government or securities exchanges in Emerging Markets countries may not accurately reflect the statistics being reported.

### *Non-U.S. Securities*

Cox Capital's strategy includes investing in non-U.S. securities. Investing in securities of non-U.S. governments and companies, which are generally denominated in non-U.S. currencies, involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States Government or United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of non-U.S. taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

### *Currency Risks*

Investments in foreign currency forwards, futures and options, as well as securities denominated in foreign currencies, are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment, capital appreciation and political developments.

### *Risk of Leverage*

Cox Capital, on behalf of its clients, may engage in margin trading (short-term borrowing secured by its investment securities). The use of such short-term borrowing will result in certain risks to the client. For example, should the securities pledged to brokers to secure the client's borrowing decline in value, the client could be subject to a "margin call," in response to which the client would be required to either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. A sudden, precipitous drop in value of the assets in a client's portfolio accompanied by corresponding margin calls could force the Adviser, on behalf of the client, to liquidate assets quickly, and not for fair value, in order to pay off its borrowing.

### *Short Selling*

Cox Capital, on behalf of its clients, may engage in short-selling. Short positions are inherently more risky than long positions because the client's portfolio does not own the security being sold and must borrow the security in order to complete the sale. Therefore a client's risk of loss is not limited to the original price paid for the stock plus transaction costs. A short sale results in a gain if the price of the securities sold short declines between the date of the short sale and the date on which securities are purchased to replace those borrowed. A short sale results in a loss if the price of the securities sold short increases. Any gain is decreased, and any loss is increased, by the amount of any payment, dividend or interest that the client's portfolio may be required to pay with respect to the borrowed securities, offset (wholly or partly) by short interest credits.

In addition, short-selling is subject to extensive regulatory limitations that may prevent the Adviser from selling a security short at a price or time that would be advantageous to the client. Further,



in less liquid markets it may be difficult for the Adviser to borrow the securities that it needs in order to cover a short position.

### *Securities Lending*

Cox Capital may enter into securities lending transactions on behalf of its clients. The main risk when lending securities is that the borrower might become insolvent or refuse to honor its obligations to return the securities. In this event, Cox Capital, on behalf of a client, could experience delays in recovering its securities and such client's portfolio may possibly incur a capital loss and decline in value.

This event would be minimized by the Brazilian Clearing and Depository Corporation ("CBLC"), a Brazilian company wholly-owned by B3, that acts as the clearing agent for all securities lending contracts in Brazil. CBLC has the duty to manage all collateral posted and guarantee the delivering of the security back to the lender.

In addition to it, CBLC has a segregated account structure that identifies the final beneficial owner or borrower. The beneficial owners are represented at CBLC by the custodians, CBLC's direct participants. The latter bear full responsibility for the holding and movement of securities held in the beneficial owners' accounts, according to Brazilian Securities Commission rules. The account segregation protects the final investor since it permits the tracking of property rights in the event of a custodian's insolvency or bankruptcy. Furthermore, it allows CBLC to directly inform the final investors of their holdings in the depository service.

### *Call Options*

Cox Capital, on behalf of its clients, may purchase and sell call options. 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 security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option.

The buyer of a call option assumes the risk of losing his entire investment in the call option. If the buyer of the call sells short the underlying security, the loss on the call will be offset in whole or in part by any gain on the short sale of the underlying security (if the market price of the underlying security declines).

### *Put Options*

Cox Capital, on behalf of its clients, may effect transactions in put options. 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 security) assumes the risk of an increase in the market price of the underlying security above the sale price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to

no greater than the exercise price of the put written, the position is “fully hedged” if the option owned expires at the same time or later than the option written. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option.

The buyer of a put option assumes the risk of losing his entire investment in the put option. If the buyer of the put holds the underlying security, the loss on the put will be offset in whole or in part by any gain on the underlying security.

### *Arbitrage Transactions*

Cox Capital, on behalf of its clients, may utilize a variety of arbitrage strategies. Among the many risks of arbitrage transactions are that two or more buy or sell orders may not be able to be executed simultaneously at the desired prices, resulting in a loss being incurred on both sides of a multiple trade arbitrage transaction. Also, the transaction costs of arbitrage transactions can be especially significant since separate costs are incurred on each component of the combination. Consequently, a substantial favorable price movement may be required before a profit can be realized.

### *Assignment of Puts or Calls*

Substantial losses may result under certain circumstances if a hedged position becomes a long or short position due to assignment of the short put or short call option of the hedged position. Under normal market conditions, the remaining option of the previously hedged position may be liquidated or otherwise adjusted to limit exposure to price changes. Suspension of trading of the option class or underlying securities followed by a price gap at the reopening of trading might result in substantial losses. The same would be true given an illiquid market at times of crisis.

### *Options on Futures*

Cox Capital, on behalf of its clients, may engage in the trading of options (both puts and calls) on financial futures contracts on Brazilian exchanges which have been designated by government agencies. The value of an option depends largely upon the likelihood of favorable price movements in the underlying futures contract in relation to the exercise (or strike) price during the life of the option. Therefore many of the risks applicable to trading the underlying futures contracts are also applicable to options trading.

### *Futures and Options Trading May be Illiquid*

Most United States futures exchanges limit fluctuation in certain futures contract prices during a single day by regulations referred to “daily price fluctuation limits” or “daily limits.” Pursuant to such regulations, during a single trading day, no trades may be executed at prices beyond the daily limits. Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity can be neither taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures prices in various commodities have moved the daily limit for several consecutive days with little or no trading. It is also possible that an exchange or government agencies may suspend trading in a particular contract, order immediate liquidation or settlement of a particular contract, or order that trading in a particular contract, be conducted for liquidation only.

### *Prohibition of Exercise Rights*

The option markets have the authority to prohibit the exercise of particular options. If a prohibition on exercise is imposed at a time when trading in the option has also been halted, holders and writers of that option will be locked into their positions until one of the two restrictions has been lifted.

### *Forward Contracts*

Cox Capital, on behalf of its clients, may engage in trading of forward contracts. Forward contracts for the trading of currencies may be entered into with or through banks or dealers. A forward contract is a contractual obligation to purchase or sell a commodity, such as currencies, at a specified date in the future at a specified price and therefore is similar to a futures contract. However, the bank or dealer generally acts as principal in the transaction and includes its anticipated profit and costs of the transaction in the prices it quotes for such contract. In addition, such contracts are not traded on exchanges and, as a consequence, investors in forward contracts are not afforded the regulatory protection of such exchanges or government agencies. Forward contracts are not of any standard size and there is no limitation on daily price moves of forward contracts. Rather, forward contracts are the result of individual negotiation between the parties. Moreover, there is no direct means of "offsetting" a forward contract by purchase of an offsetting position on the same (or linked) exchange as one would a futures contract. Principals have no obligation to continue to make markets; however, the forward markets in currencies have typically been highly liquid markets. A client's portfolio would be subject to the risk of failure of the other party or the inability or refusal to perform with respect to such contracts.

### *Cash Trading*

Cox Capital, on behalf of its clients, may utilize trading strategies which involve arbitraging between the cash and futures markets. This means that the Adviser may purchase (or sell) assets for a client's portfolio in cash markets and will take offsetting positions in the futures market in the same or related instruments. These offsetting positions are subject to the same risk of adverse price differentials as in any arbitrage transaction.

### **Material Risks for Particular Types of Securities**

Cox Capital typically manages a portfolio of Brazilian publicly-traded securities. However, the Adviser does not recommend primarily a particular type of security. The actual types of investments will depend on the clients' objectives and strategies described in their private placement memoranda or management agreement. The material risks involved in the Adviser's general investment strategies are described above.

## **ITEM 9 – DISCIPLINARY INFORMATION**

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Cox Capital has not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no person involved in the management of the Adviser has been subject to such action.

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

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

Cox Capital is not registered with the Commodity Futures Trading Commission (“CFTC”) as a futures commission merchant (“FCM”), a commodity pool operator (“CPO”) or a commodity trading advisor (“CTA”), but has made exemption filings with the CFTC pursuant to CFTC Rules 4.13(a)(3) and 4.14(a)(8).

### **Material Relationships**

Cox Capital does not have any relationships or arrangements that are material to the Adviser’s advisory business or to its clients.

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

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### **Code of Ethics**

Cox Capital has adopted a Code of Ethics (the “Code”) that sets forth certain ethical standards for governing the conduct of the Adviser’s employees, including restrictions on personal securities transactions. The Code prohibits employees from investing in securities that are listed on the B3 for their own accounts if such securities may be (i) purchased or held by the Adviser’s clients and (ii) have limited liquidity (*e.g.*, without limitation, liquidity as an average daily trading volume of less than US\$ 1,000,000), except under circumstances where prior disclosure is made and approval is obtained from the Adviser. The purpose of the Code is to ensure that personal transactions do not conflict with client transactions and that in any situation where the potential for conflict exists, client interests take precedence.

Employees may not purchase or sell any covered security in which he or she has, or by reason of such transaction acquires, any direct or indirect beneficial ownership and which to his or her actual knowledge at the time of such purchase or sale: (i) is being considered for purchase or sale by a client; or (ii) is being purchased or sold by a client.

Employees may not reveal to any other person (except in the normal course of his or her duties on behalf of clients) any information regarding securities transactions by clients or consideration by the Adviser of any such securities transaction.

Employees may not recommend any securities transaction for clients without having disclosed his or her interest, if any, in such securities or the issuer thereof, including without limitation (i) his or her direct or indirect beneficial ownership of any securities of such issuer; (ii) any contemplated transaction by such person in such securities; (iii) any position with such issuer or its affiliates; and (iv) any present or proposed business relationship between such issuer or its affiliates, on the one hand, and such person or any party in which such person has a significant interest, on the other.

All employees shall obtain approval before directly or indirectly acquiring beneficial ownership in any securities in an initial public offering or a limited offering.

A copy of Cox Capital's Code is available to clients and prospective clients upon request.

### **Investments in Securities by Adviser and its Personnel**

Other than the limitations stated above, the Adviser and its personnel may invest in similar securities and investments, to the extent that such securities are listed on the B3 and have sufficient liquidity, as those recommended to or entered into on behalf of the Adviser's clients. The results of the investment activities of the Adviser's or its personnel's investments for their own accounts may differ from the results achieved by or for client accounts managed by Cox Capital.

Cox Capital has policies and procedures in place to avoid potential conflicts that may arise under these circumstances. For example, all of the Adviser's personnel are subject to the Adviser's policies and procedures regarding confidential or proprietary information, the information barriers and personal trading. Cox Capital has additional policies and procedures relating to certain personal securities transactions by the Adviser's personnel which the Adviser deems to involve potential conflicts including conflicts involving Cox Capital's personnel and client accounts managed by the Adviser.

### **Trading Alongside by Adviser and its Personnel**

Under Cox Capital's policies and procedures, neither the Adviser nor its personnel are allowed to recommend securities to Cox Capital's clients or buy or sell securities for its clients' accounts, at the same time that they would buy the same securities for their own accounts. Although the Adviser's policies would permit Cox Capital and its personnel to invest, on a limited basis, in certain securities and investments that are listed on B3, such policies and procedures prohibit simultaneous trading for clients' accounts and the Adviser and/or its personnel's own accounts.

## **ITEM 12 – BROKERAGE PRACTICES**

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### **Broker-Dealer Selection**

Cox Capital has full discretion to select brokers or dealers, as well as the commission rates at which the transactions for clients are effected. The Adviser will, in arranging for the purchase and sale of portfolio securities, take numerous factors into consideration. These include any legal restrictions, such as those imposed under the securities laws, and any client imposed restrictions. Within these constraints, the Adviser will employ or deal with members of the securities exchanges and other brokers and dealers to, in its judgment, implement the policy of obtaining best execution (*i.e.*, prompt and reliable execution at the most favorable prices obtainable under the prevailing market conditions) of portfolio transactions considering all circumstances.

In determining the abilities of a broker or dealer to obtain best execution for portfolio transactions, Cox Capital will consider all relevant factors, including the execution capabilities required by the transactions; the ability and willingness of the broker or dealer to facilitate the portfolio transactions by participating therein for its own account; the importance to the account of speed, efficiency and confidentiality; the broker or dealer's apparent familiarity with sources from or to whom particular securities might be purchased or sold; the reputation and perceived soundness of the broker or dealer; as well as other matters relevant to the selection of a broker or dealer for portfolio transactions for any account. The Adviser will not adhere to any rigid formula in making the selection of the applicable broker or dealer for portfolio transactions, but will weigh a combination of the preceding factors.

Where it has discretion to select brokers or dealers, Cox Capital will have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular portfolio transaction or to select any broker on the basis of its purported or "posted" commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to minimize the expense incurred for effecting portfolio transactions to the extent consistent with the interests and policies of its clients. Although the Adviser will generally seek competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker or dealer involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

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

Consistent with obtaining best execution, brokerage commissions on client portfolio transactions may be directed to brokers in recognition of research services or products furnished by them, as well as for services rendered in the execution of orders by such brokers. These products or services include proprietary or third party research reports, supplemental performance reports, statistical analyses, and software and computer programs used for research and portfolio analysis, and other useful research information. As a general matter, such research services or products are used to service all of Cox Capital's clients. Cox Capital may receive research services or products in the form of written reports, telephone contacts, and personal meetings with security analysts. In addition, such research services may be provided in the form of access to various computer-

generated data, computer software, and meetings arranged with corporate and industry spokespersons, economists, academics, and government representatives.

Cox Capital may not always place brokerage transactions on the basis of the lowest commission rate available for a particular transaction. Cox Capital may, in its discretion, cause a client to pay such brokers a commission for effecting portfolio transactions in excess of the amount of commission another broker adequately qualified to effect such transactions would have charged for effecting such transactions. This may be done where Cox Capital has determined in good faith that such commission is reasonable in relation to the value of brokerage and research services received. In reaching such a determination, Cox Capital would not be required to place or attempt to place a specific dollar value on the brokerage or research services provided by such broker. The provision of such services in exchange for brokerage business is commonly referred to as a “soft dollar arrangement.” The Firm does not enter into soft dollar arrangements that are not covered by the safe harbor of Section 28(e) of the Securities Exchange Act of 1934.

Cox Capital may receive certain brokerage and research products and services that provide both research and non-research (“mixed-use”) benefits. In the event Cox Capital obtains any mixed-use products or services on a soft dollar basis, Cox Capital will make a reasonable allocation of the cost between that portion which is deemed to be research or brokerage services and that portion which is not. Cox Capital will cause client commission dollars to be paid for the research or other brokerage services, and Cox Capital will pay for the non-eligible portion, e.g. computer hardware, accounting systems, etc. Although Cox Capital will allocate costs between research and non-research portions in accordance with its overall fiduciary responsibilities, clients should be aware of the potential conflicts of interest created by the use and allocations of soft dollar arrangements. An adviser that enters into soft dollar arrangements is relieved from paying for research products or services with its own funds.

When allocating trades to clients, Cox Capital must ensure that over time each client is treated fairly and equitably in the execution of transactions. Therefore, trading personnel must ensure that, over time:

- clients are treated fairly as to the securities purchased or sold for their accounts;
- clients are treated fairly with respect to the priority of execution of orders;
- clients are treated fairly in the allocation of trades;
- allocation of trades is done on a timely basis; and
- all accounts participating in an aggregated order receive average price and share transaction costs pro-rata.

### **Brokerage for Client Referrals**

Cox Capital generally does not consider, in selecting or recommending broker-dealers, whether the Adviser or a related person receives client referrals from a broker-dealer or third party.

## **Directed Brokerage**

Cox Capital generally has the discretionary authority to determine and direct execution of portfolio transactions within the client's specified investment objectives without prior consultation with the client on a transaction-by-transaction basis.

## **Aggregation of Trades**

Cox Capital has the fiduciary duty to execute orders for its clients fairly and equitably. The Adviser follows written procedures pursuant to which it may, for clients who permit it, and to the extent consistent with best execution, combine purchase or sale orders for the same security for multiple clients (sometimes called "bunching") so that they can be executed at the same time. The procedures followed by the Adviser may differ depending on the particular strategy or type of investment. Cox Capital is not required to bunch or aggregate orders if: (1) portfolio management decisions for different accounts are made separately; or (2) the Adviser determines that bunching or aggregating is not practicable. Cox Capital may be able to negotiate a better price and lower commission rate on aggregated trades than on trades for accounts that are not aggregated. Where transactions for a client's account are not aggregated with other orders, it may not benefit from the better price and lower commission rate. Because of prevailing trading activity, it may not be possible to receive the same price or execution on the entire volume of securities purchased or sold. When this occurs, the various prices may, in the Adviser's discretion, be averaged and accounts will be charged or credited with the average price. The effect of such aggregation may operate on some occasions to an account's disadvantage.

## **ITEM 13 – REVIEW OF ACCOUNTS**

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### **Review of Accounts**

Accounts portfolios will be reviewed on an ongoing basis by the Portfolio Manager and the investment team. Under normal circumstances, the account operations will be reviewed daily by the Adviser's Operations Team.

### **Factors Triggering a Review**

An account may be reviewed immediately to the extent that the account could be affected by information concerning economic or market conditions, individual companies or industries.

### **Client Reports**

Cox Capital will provide each client with written monthly reports regarding the investments held in the client's account as well as the performance of the client's investments. Additional reports may be provided to clients if circumstances so warrant.



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

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### **Compensation for Client Referrals**

Certain Brazilian pooled investment fund managed by Cox Capital has entered into distribution and/or referral agreements in which third-parties are hired as intermediaries to distribute interests of the fund and assist their clients with those investments in this fund. As remuneration for their services, intermediaries are entitled to receive a percentage of the management and performance fees paid to the Adviser, based on the net asset value of the above mentioned fund.

Cox Capital currently has one agreement in place, whereby a party unaffiliated with the Adviser is entitled to compensation in the event that it successfully solicits investors or clients on the Adviser's behalf.

## **ITEM 15 – CUSTODY**

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With respect to Cox Capital's "U.S. Clients" (as defined below), such clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains the clients' investment assets. Cox Capital urges U.S. Clients to carefully review such statements and compare such official custodial records to the account statements that the Adviser may provide to them. Cox Capital's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. The term "U.S. Clients" includes the Managed Accounts. The term "U.S. Client" excludes, without limitation, investors in non-U.S. funds managed by the Adviser and non-U.S. separately managed accounts.

Under the "regulation lite" regime, Cox Capital must comply with the substantive provisions of the Investment Advisers Act of 1940, as amended (the "Advisers Act") only with respect to its U.S. clients. Accordingly, the substantive provisions of the Advisers Act, including the rules relating to custody, would apply only with respect to the Adviser's U.S. managed account clients. Cox Capital and the custodians will, however, be subject to the laws and regulations in their countries of residence.

## **ITEM 16 – INVESTMENT DISCRETION**

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Cox Capital is authorized to allocate and manage all assets in its discretion among various investments it deems appropriate for clients' objectives and strategies. When selecting securities and determining amounts, Cox Capital observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be

provided to the Adviser in writing. This discretionary authority is provided by the client agreements, such as the investment management agreements.

## **ITEM 17 – VOTING CLIENT SECURITIES**

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### **Proxy Voting Policies – Authority to Vote**

On behalf of its clients, Cox Capital invests in securities issued by public issuers. In relation to these investments, the Adviser has the authority to vote proxies. Cox Capital has adopted and implemented written policies and procedures reasonably designed to ensure that it votes proxies for client securities in the best interest of clients and address material conflicts that may arise between its interests and those of its clients relating to proxy voting. Proxy voting decisions are the responsibility of the portfolio manager and are made in accordance with the Adviser's proxy voting policies and procedures. There may be situations in which the Adviser decides it is in the best interests of its clients to deviate from the proxy voting policies and procedures, in which case will be handled and documented in accordance with the proxy voting policies and procedures.

We note that the proxy voting rules under the Advisers Act would generally apply only to Cox Capital's U.S. Clients (as defined under Item 15) under the regulation lite regime described above under Item 15. However, subject to the record keeping policies described in the paragraph below, the policies and procedures discussed above would generally apply to all the Adviser's clients.

Thus, for Cox Capital's U.S. Clients, the Adviser will follow the proxy voting procedures and policies discussed above. In addition, with respect to such U.S. clients, the Adviser will retain (i) written proxy voting policies and procedures; (ii) proxy statements provided by the prime broker/custodian regarding client securities; (iii) records of votes cast on behalf of such clients; (iv) records of such clients requests for proxy voting information; and (v) any specific documents Cox Capital prepared that were material to making a decision how to vote, or that memorialized the basis for the decision.

Cox Capital's proxy voting policies and procedures and information on how specific proxies were voted is available to clients and investors upon request.

## **ITEM 18 – FINANCIAL INFORMATION**

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Cox Capital has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.