



Part 2A of Form ADV Disclosure Brochure

May 4, 2020

**HOOD RIVER CAPITAL MANAGEMENT LLC
UMPQUA BANK PLAZA
ONE SW COLUMBIA STREET, SUITE 630
PORTLAND, OR 97204
(503) 221-0983
www.hoodrivercapital.com**

This brochure provides information about the qualifications and business practices of Hood River Capital Management LLC (“Hood River”). Hood River is a registered investment adviser pursuant to the Investment Advisers Act of 1940. Registration of an investment adviser does not imply any level of skill or training.

The information provided in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. If you have any questions about the contents of this brochure, please contact Hood River’s Compliance Department by calling (877) 725-4432.

Additional information about Hood River is available on the SEC’s website at www.adviserinfo.sec.gov. The SEC’s website also provides information about persons affiliated with Hood River who are registered as Investment Adviser Representatives.

Item 2 – Material Changes

Pursuant to SEC rules, this item will discuss only specific material changes made to the brochure, provide a summary of those changes, and reference the date of the last annual update. Hood River will further provide other changes or new information to its disclosure brochure as necessary.

Hood River's total discretionary assets under management changed from \$1,749,508,891 on December 31, 2018 to \$2,355,593,473 on December 31, 2019.

Hood River last updated its Part 2A of Form ADV on March 17, 2020.

Hood River provides a copy of its disclosure brochure to its clients annually and to prospective clients upon request, free of charge. Hood River's brochure is also available, free of charge, on its website at www.hoodrivercapital.com or by contacting its Compliance Department at (877) 725-4432.

Item 3 – Table of Contents

Item 1 – Cover Page	1
Item 2 – Material Changes	2
Item 3 – Table of Contents	3
Item 4 – Advisory Business	4
Item 5 – Fees and Compensation	5
Item 6 – Performance-Based Fees and Side-By-Side Management	6
Item 7 – Types of Clients	7
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	7
Item 9 – Disciplinary Information.....	9
Item 10 – Other Financial Industry Activities and Affiliations	9
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	9
Item 12 – Brokerage Practices	11
Item 13 – Review of Accounts.....	14
Item 14 – Client Referrals and Other Compensation	14
Item 15 – Custody	14
Item 16 – Investment Discretion	14
Item 17 – Voting Client Securities.....	15
Item 18 – Financial Information	18

Item 4 – Advisory Business

Description of Advisory Business

Hood River is a limited liability company founded in 2013 and is headquartered in Portland, Oregon. Hood River is registered with the Securities and Exchange Commission as a registered investment adviser.

Brian Smoluch and David Swank own 100% of the common membership points of Hood River Capital Management LLC.

Hood River has a service level agreement with Mar Vista Investment Partners, LLC (“Mar Vista”), a registered investment adviser, to provide Hood River with various administrative, operational, and business services including marketing support, client services, compliance support, information technology, accounting and proxy coordinating services. In accordance with that agreement, certain trading, marketing, and compliance employees are dual employees of both advisers. Mar Vista is not an affiliate of Hood River or related to Hood River.

Advisory Services Offered

Hood River manages Small-Cap Growth and Small/Mid-Cap Growth equity portfolios. Hood River provides investment advisory services that are limited to the strategies listed to a variety of separately managed client accounts generally on a discretionary basis.

Hood River is the investment adviser to Manager Directed Portfolios (“MDP”) Hood River Small-Cap Growth Fund (the “Fund”). Under the Investment Company Act of 1940, MDP is registered as an open-end investment management company. The Fund’s investment objective, risks, fees, expenses, share classes and other important information are detailed in the Fund’s prospectus and Statement of Additional Information.

Hood River is the investment adviser to the Hood River Collective Investment Trust (the “Trust”), a collective investment fund. The Trust is managed according to the Small/Mid-Cap Growth strategy described on page 8. SEI Trust Company serves as the Trustee of the Trust. The Trust is regulated by the Department of Banking and Securities for the Commonwealth of Pennsylvania and is available only to certain eligible plans.

Discretionary Services

A client, upon engaging Hood River as its discretionary investment manager, must select one of Hood River’s investment strategies for their portfolio. The client can change the investment strategy upon written request to Hood River. Hood River tailors its advisory services to the specific investment objectives and restrictions of each client account and upon agreement with a client upon specific investment policies or guidelines. Clients can impose restrictions on their account by discussing desired investment limitations with Hood River and providing a list of such limitations in writing. Hood River manages its clients’ accounts in accordance with the stated investment objectives, financial situation, risk tolerance, account restrictions, and account guidelines identified in each client’s signed investment advisory agreement and investment policy statement.

In addition, Hood River may manage taxable portfolios differently from tax-exempt portfolios that have selected the same investment strategy unless directed otherwise by the client. Hood River does not typically accept an account that has check writing privileges or margin accounts. However, Hood River has the right to accept such accounts at its sole discretion.

Non-Discretionary Services

Under limited circumstances, Hood River may agree to advise clients on a non-discretionary basis. The services that Hood River provides to non-discretionary accounts and the fee charged for such services are individually negotiated with each client.

Assets Under Management

As of December 31, 2019, Hood River had approximately \$2,355,593,473 in discretionary assets under management and \$0 in non-discretionary assets under management for a total of \$2,355,593,473 in total assets.

Item 5 – Fees and Compensation

Fee Schedule

The following information addresses the fee structure of the various strategies Hood River manages. The annual separate account fee schedule for Hood River's strategies are:

Small-Cap Growth:

<u>Market Value of Assets in Account:</u>	<u>Annual Fee:</u>
First \$50 million	1.00%
Next \$50 million	0.90%
Over \$100 million	0.80%

Small/Mid-Cap Growth:

<u>Market Value of Assets in Account:</u>	<u>Annual Fee:</u>
First \$50 million	0.90%
Next \$50 million	0.80%
Over \$100 million	0.70%

Special circumstances cause fees to vary from the above schedule. Hood River may group multiple accounts of one client relationship together for purposes of calculating the fee. Hood River reserves the right to negotiate fees with clients and may charge higher or lower fees than those described above. Hood River reserves the right to manage the accounts of its employees and their family members at lower fees or at no charge. In addition, Hood River may occasionally provide its services on a pro bono basis for charitable or other reasons. These accounts are treated as any other client.

Billing Method

The specific manner in which Hood River charges its fees is defined in each client's written investment advisory agreement. Fees are billed in advance or arrears, quarterly or monthly, depending on the client's fee agreement. Hood River will generally bill its fees on a quarterly basis. Additionally, clients may instruct their account custodian to pay Hood River's fees from their client account(s) or receive a bill directly.

Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any pre-paid, unearned fees will be promptly returned and any earned, unpaid fees will be due and payable. Client accounts generally can be terminated upon a 30-day written notice and a pro rata refund will be given, but Hood River may terminate an account in less than 30 days upon a client's request. Generally, Hood River may terminate the accounts of clients who open a margin account or an account that has check writing privileges because of the reconciliation, available cash and performance measurement difficulties such accounts create. Hood River will give such clients a 30-day prior written notice of its intent to terminate the account. On a case-by-case basis, Hood River has permitted clients to have a margin or

check writing account in its sole discretion. If a client moves his or her account to a different broker-dealer or custodian, Hood River reserves the right to terminate its agreement with the client.

Multiple Fees

Hood River does not generally invest in mutual funds for its client's separate accounts. However, if a client's portfolio holds mutual funds or money market funds, the client will be paying two fees for the management of these assets, one to Hood River and one to the money market or mutual fund manager.

Other Fees and Compensation

Hood River serves as investment adviser to MDP Hood River Small-Cap Growth Fund. As the investment adviser, Hood River receives an annual fee from the Small-Cap Growth Fund based on the percentage of average daily net assets. Fee information is described in the Fund's prospectus and Statement of Additional Information and is available online at <https://hoodrivercapital.com/fund-materials/>.

Hood River serves as investment adviser to the Hood River Collective Investment Trust. The Trustee Fee, a portion of which is allocated to Hood River as adviser, is detailed in Appendix A of the Disclosure Memorandum for the relevant share class of the Trust.

Under certain circumstances, Hood River may offer its services for a fee based on Hood River's performance in managing the client's account in accordance with Rule 205-3 of the Investment Advisers Act of 1940. Please refer to Item 6 – Performance-Based Fees and Side-By-Side Management.

Clients typically incur certain charges, fees or commissions imposed by their custodians, broker-dealers and other third parties, including but not limited to custody fees, brokerage commissions, 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. Any such charges, fees or commissions are exclusive of, and in addition to, Hood River's fees, (Hood River does not receive any portion of such charges, fees or commissions). Please refer to Item 12 – Brokerage Practices for a discussion of Hood River's brokerage practices.

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

Hood River has entered into performance-based fee arrangements with qualified clients. Hood River will structure any performance or incentive fee arrangement (fees based on a share of capital gains on or capital appreciation of the assets of a client) subject to Section 205(a)(1) of the Investment Advisers Act of 1940 and in accordance with the available exemptions there under, including the exemption set forth in Rule 205-3.

Hood River may provide concurrent advisory services to clients that are charged a performance-based fee and clients that are not charged a performance-based fee. Hood River manages performance-based fee accounts in line with non-performance-based fee accounts unless otherwise directed by client specific guidelines. Under a performance-based fee arrangement, Hood River may receive increased compensation with regard to unrealized appreciation as well as realized gains in the client's account. Such fee arrangements also create a potential incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities. As a result, a performance-based fee arrangement creates a potential incentive for Hood River to make investments that are riskier or more speculative than would be the case in the absence of a performance-based fee. The potential for Hood River to receive greater fees from performance-based fee accounts could create a potential conflict of interest with respect to the allocation of investment opportunities as Hood River may have an incentive to direct the best investment

ideas to, or allocate investments in favor of, accounts that pay performance-based fees.

Hood River has adopted the necessary procedures designed and implemented to ensure that clients are treated fairly and equitably, and to prevent these conflicts from influencing the allocation of investment opportunities among its clients. To mitigate potential conflicts of interest, investments are allocated to client accounts in accordance with Hood River's investment allocation policies and procedures. In the event investment opportunities are suitable for more than one client account, Hood River will allocate such investment opportunities in a manner that it believes is fair and equitable to each client account, taking into account the relevant facts and circumstances. These policies take into account multiple criteria for determining allocation including: specific investment objectives of each client account, the size and capital required for investment and the liquidity needs of each client account, diversification needs, the size of the investment opportunity, current and anticipated market conditions, and the specific investment restrictions or guidelines applicable to each client account.

Item 7 – Types of Clients

Hood River provides investment advisory services to a variety of clients including pension and profit-sharing plans, trusts, estates, charitable organizations, public funds, corporations, endowments, foundations, Taft Hartley plans and high-net-worth individuals. Hood River also acts as investment adviser to MDP Hood River Small-Cap Growth Fund and the Hood River Collective Investment Trust.

Hood River acts as adviser or may act as sub-adviser to pooled investment vehicles, limited partnerships, or limited liability companies managed by unaffiliated third parties.

The minimum account size is \$5,000,000 for all separate account strategies. However, the minimum account size may be waived at the discretion of an authorized officer of Hood River. Hood River retains the right to refuse to accept any account for any reason.

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

Hood River primarily uses fundamental methods of security analysis. The main sources of information Hood River uses include direct interviews with management, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the SEC, company press releases, financial newspapers, expert network conversations, and magazines as well as proprietary financial models.

The investment strategies used to implement any investment advice given to clients include long-term purchases (securities held at least one year) and short-term purchases (securities sold within one year).

Hood River does not recommend clients open margin accounts because of the increased risk and volatility these accounts unavoidably involve and the difficulties they present for account investment management. Generally, Hood River will not accept a client account that is on margin. Investing in securities involves risk of loss that clients should be prepared to bear. Please refer to Item 4 – Advisory Business.

THE FOLLOWING INFORMATION DESCRIBES THE INVESTMENT STRATEGY AND METHODS OF ANALYSIS UTILIZED BY HOOD RIVER IN MANAGING CLIENT ACCOUNTS.

The Investment Process and Approach

Hood River believes the smaller-cap market is relatively inefficient. This smaller-cap inefficiency is caused by a variety of factors, including a decline in the quantity and quality of sell-side coverage, higher probability of errors in sell-side models, accessible but under-followed management teams, and pure-play companies whose fundamentals are less certain than those of their larger-cap counterparts. Smaller-cap stocks are scrutinized less closely than larger-cap ones, which creates an opportunity for research to add value.

In-depth, original research can uncover companies whose future fundamentals, such as sales or earnings, are likely to exceed the market's expectations. The investment team calls this difference between reality and the market's perception the "information gap." Hood River is intently focused on identifying and capturing the information gap in the smaller-cap market. We aggressively pursue a research advantage by speaking to management teams, customers, competitors, suppliers and other primary sources. By generating insight on high quality stocks, we have historically generated outperformance versus the benchmark for our clients while taking less risk than the benchmark.

Our portfolio is constructed on an organic, bottom-up basis driven by our original research.

The research process begins by screening a universe of stocks with future expected earnings growth of greater than 15% and a market cap consistent with the range of market caps of each strategy's respective benchmarks. Hood River's experienced management team then performs fundamental analysis to identify companies with growing revenues, stable or expanding margins, low debt levels, solid cash flows, and high or potentially high returns on capital.

Additional research is applied to the most promising purchase candidates to uncover those companies with dominant competitive positions, positive business and market trends, and solid management teams that are committed to enhancing shareholder value.

As an additional check, a valuation analysis is performed to determine how the stock is priced relative to its industry, historical range and the overall market.

A company becomes a purchase candidate only if the portfolio managers are convinced there is a catalyst in place to provide at least 15% stock price appreciation over the next 12 months.

Stocks are sold for overvaluation, in anticipation of the fundamentals weakening, or if a more attractive investment idea is identified.

Hood River's strategies are best suited for individuals, endowments/foundations, institutions and/or retirement plans with a long-term horizon and the ability to tolerate the greater volatility inherent with this segment of the market.

SMALL-CAP GROWTH PORTFOLIO:

Hood River's Small-Cap Growth strategy seeks long-term capital appreciation by investing in stocks with market capitalizations in line with those of the Russell 2000® Growth Index, which exhibit strong growth characteristics and attractive pricing relative to underlying profitability. The Small-Cap Growth strategy consists of up to 120 stock positions with typically a 5% (at cost) limit in any one security and sector concentrations are generally no more than 15 percentage points different from the weightings in the Russell 2000® Growth Index.

SMALL/MID-CAP GROWTH PORTFOLIO:

Hood River's Small/Mid-Cap Growth strategy seeks long-term capital appreciation by investing in stocks with market capitalizations in line with those of the Russell 2500® Growth Index, which exhibit strong growth characteristics, and attractive pricing relative to underlying profitability. The Small/Mid-Cap Growth strategy consists of up to 100 stock positions with typically an 8% (at cost) limit in any one security and sector concentrations are generally no more than 15 percentage points different from the weightings in the Russell 2500® Growth Index

Risk of Loss**General Risks**

All investments involve the risk of loss, including but not limited to, the loss of principal, a reduction in earnings (including interest, dividends and other distributions) and the loss of future earnings. Additional risks include market risk, interest rate risk, issuer risk and general economic risk. Although Hood River manages assets in a manner consistent with clients' risk tolerances, there can be no guarantee of return of principal. Investors should be prepared to bear the risk of loss.

Risks Specific to Small-Cap Growth & Small/Mid-Cap Growth Strategies

The risks associated with investing in equity securities are particularly pronounced for securities of companies with smaller market capitalizations. These companies may have limited product lines, markets or financial resources or they may depend on a few key employees. Securities of smaller companies may trade less frequently and in lesser volume than more widely held securities, and their values may fluctuate more sharply than other securities. They may also trade in the over-the-counter market or on a regional exchange, or may otherwise have limited liquidity. Small-Cap Growth and Small/Mid-Cap Growth strategies can involve more frequent trading of securities, which will result in higher brokerage, commission, and exchange related fees and taxes. These fees will decrease the overall product performance and net returns.

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 a client or potential client's evaluation of Hood River or the integrity of Hood River's management. Hood River has no information applicable to this item.

Item 10 – Other Financial Industry Activities and Affiliations

Hood River has an arms-length service level agreement with Mar Vista Investment Partners, LLC ("Mar Vista"), a registered investment adviser, to provide back and middle office services. In accordance with that agreement, certain trading, marketing, and compliance employees are dual employees of both advisors. Mar Vista is not an affiliate of Hood River or related to Hood River. In addition, no research information is shared between entities. Monitoring of personal trading is conducted on both firms.

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

As an SEC-registered adviser, pursuant to Rule 204A-1 of the Investment Advisers Act, Hood River has adopted a Code of Ethics that emphasizes the high standards of conduct that Hood River has always sought to observe. The Code of Ethics consists of certain core principles including, but not limited to: a) the interests of clients will be placed ahead of Hood River's or an employee's own investment interests; b) officers and employees will not take inappropriate advantage of their positions; c) information concerning

client investments will be kept confidential; d) Hood River will provide professional investment management advice based upon unbiased independent judgment; and e) officers, directors and employees will act with the utmost integrity. Hood River will provide any client or prospective client a copy of the Code of Ethics upon request.

The Code of Ethics describes provisions to prevent actual or potential conflicts of interest or the appearance of such conflicts relating to, amongst other matters, confidentiality of client information, prohibition on insider trading and rumor mongering, and restrictions and reporting requirements for personal securities transaction procedures. The Code of Ethics also requires all officers and employees ("Personnel"), to report at least quarterly, with a few minor exceptions set forth in Rule 204A-1 of the Investment Advisers Act, their personal securities transactions and holdings.

In connection with these provisions, the Code of Ethics places restrictions on Personnel, and employee-Related Persons ("Related Persons") from personal securities transactions and requires prior approval for most personal securities transactions. Specifically, it is Hood River's policy not to permit its Personnel or Related Persons to benefit from trading executed for its clients in a manner that would harm its clients. Hood River believes such a policy creates a commonality of interest between the clients and Hood River.

The policy with respect to personal trading by Hood River's Personnel or Related Persons, except for those Personnel or Related Person accounts that are managed by Hood River, is as follows: whenever Hood River is buying or selling securities for clients as part of an active trading program or significant cash movement, transactions for Hood River's Personnel or Related Persons will follow after all transactions have been completed for such clients. However, Hood River's Personnel or Related Persons may trade in advance of the initiation of a trading program because the portfolio management teams have not yet determined to initiate the trading program. Because of this policy, Hood River's Personnel or Related Persons may receive more favorable prices for the same securities than clients receive on the same day.

Hood River's Personnel or Related Persons may purchase and/or sell securities contrary to active trading programs for client portfolios, but policies do not allow trading until at least five calendar days after the completion of an active trading program unless specific criteria is met.

The guidelines for securities transactions for Hood River's Personnel and Related Persons with respect to client incidental trades are as follows: generally, on any given day, purchases and/or sales of the same securities for Personnel or Related Persons for client incidental trades will follow such purchases and/or sales for client portfolios unless there are sufficient securities or sufficient buyers at the same price to fill the needs of both client portfolios and Hood River's Personnel or Related Persons. As a result of this daily trading policy and due to market fluctuations, it is possible that: a) Hood River's Personnel or Related Persons may purchase or sell the same security on the same day as a client portfolio and receive a better price; and b) Hood River's Personnel or Related Persons may purchase or sell the same security as a client portfolio a day or more in advance of the purchase or sale of the security for the client portfolio and receive a better price than the client portfolio receives a day or more later.

From time to time, Hood River can take positions for certain types of discretionary portfolios that are contrary to positions Hood River takes for other discretionary portfolios because clients' investment objectives or requirements (such as the need to take tax losses, realize profits, raise cash, diversify, etc.) are different. Similarly, Hood River may trade client portfolios managed according to one investment style in advance of other client portfolios managed according to a different investment style.

The Watch List contains securities that Hood River is "closely observing" and "anticipating imminent action

in" on behalf of client accounts. The Watch List is updated and posted bi-monthly.

Item 12 – Brokerage Practices

Broker Selection

For client account transactions, Hood River trades with pre-approved broker-dealers evaluated by Hood River's Trade Committee. When Hood River has discretionary authority to select a broker-dealer, the selection is typically based upon: a) general execution capability; b) operational capability to clear and settle transactions; c) competitive pricing in the market; d) willingness to commit capital; e) creditworthiness and financial stability; f) integrity of broker-dealer personnel; and g) quality of research provided for use of soft dollar benefits. Transactions may not always be executed at the lowest available price or commission, no assurance can be given that best execution will be achieved for each client transaction, and perceptions of what constitutes best execution in any given instance may vary.

Hood River convenes its Trade Committee on a quarterly basis to review relevant transactions and discuss topics relating to trade execution and operations. Items addressed typically include brokerage commissions, trading metrics, counterparty exposure, errors, trade cost analysis and review of approved broker-dealers.

Soft Dollar Arrangements

In addition to execution services, Hood River also receives research and other products or services from broker-dealers and third-party service providers referred to as "soft dollars benefits". Soft dollars are assets of Hood River's clients and are used to pay for research services utilized by Hood River. Hood River receives benefit but does not pay for these services. Soft dollar benefits include a variety of research, investment information, and resources provided by the broker-dealer directly or through third parties that are expected to enhance Hood River's general portfolio management capabilities. Services provided may include software that provides analysis of securities portfolios, market data, financial newsletters and publications, trading software, and traditional research reports including written research.

Hood River obtains some of its soft dollar benefits through commission-sharing arrangements ("CSAs") with selected broker-dealers. Under CSAs, Hood River arranges with executing broker-dealers to "unbundle" their commission rates in order to allocate a portion of total commissions paid to a pool of soft dollar credits maintained by the broker-dealer that can be used to obtain eligible soft dollar benefits made available by third-party service providers at the direction of Hood River.

There are cases when Hood River receives mixed-use services. These are non-research (administrative or accounting services) and research benefits from service providers. When this happens, Hood River will make a good faith allocation between the non-research and research portion of the services received, and will pay "hard dollars" (i.e. Hood River will pay from their own monies) for the non-research portion.

As permitted by Section 28(e) of the Securities Exchange Act of 1934, as amended and regulatory guidance from the SEC; in circumstances in which Hood River has brokerage discretion and when execution is comparable, clients may pay a commission higher than that which another broker-dealer might have charged for effecting the same transaction in recognition of the value research services provided by the broker-dealer. Any particular research service may not be used to service each client account and may not benefit the particular accounts that generated the brokerage commissions. Therefore, proportionate expense and benefit may not accumulate to a client.

Conflicts of interest arise by the use and allocation of soft dollar arrangements. Soft dollar benefits have the potential to cause an investment adviser to trade frequently to generate soft dollar commissions to pay for these

products or services. In addition, the adviser has the incentive to select or recommend a broker-dealer based on interest in receiving research or other products or services, rather than on the client's interest in receiving most favorable execution. Hood River has adopted policies and procedures concerning soft dollars, that address the use of client commissions and require that such use be consistent with Section 28(e), provide lawful and appropriate assistance in the investment decision-making process, and that the value of the research or brokerage service obtained be reasonable in relation to the commissions paid.

The Trade Committee approves all soft dollar arrangements and continuously monitors Hood River's soft dollar practices and any third-party arrangements to ensure consistency with policies and disclosures amending Part 2A of Form ADV promptly in the event of any changes. In addition, the CCO or his designees will be responsible for maintaining the detailed records of all Hood River's soft dollar arrangements and all executed soft dollar transactions.

As part of Hood River's service level agreement with Mar Vista, Mar Vista will be responsible for the financial management and reporting of Hood River's soft dollar credits and payments. There may be instances where soft dollar services are jointly purchased by both Mar Vista and Hood River collectively for the benefit of both Advisers' clients. In these instances, the Firm will enter into these arrangements when the clients would benefit more than they would if they were to purchase these services independently.

Directed Brokerage

Hood River will accept direction from clients as to which broker-dealers are to be used to execute trades for their account. Any such direction must be in writing and accepted by Hood River before it will be effective. Clients that have such arrangements may pay a higher commission or receive smaller discounts than if Hood River had discretion to choose a broker-dealer, or may receive a worse price for a security than other clients for the same security.

Additionally, for those clients who direct Hood River to place trades with a certain broker-dealer, Hood River will provide written disclosure to the client and make best efforts to obtain the client's acknowledgement of that disclosure. The disclosure may be included in an investment advisory agreement with the client or may take the form of a separate disclosure document that the client signs in acknowledgement. The disclosure may include, as appropriate the following:

1. Hood River will not seek to negotiate broker-dealer commissions for the client, and consequently the client may pay higher commissions on transactions than other clients of Hood River who do not direct transactions to a particular broker-dealer;
2. The client may pay higher commissions than they might pay if Hood River were authorized to negotiate commissions for the client;
3. The direction of brokerage to a particular broker-dealer may also mean that a client may not be able to take advantage of volume discounts or otherwise obtain best price and execution on every transaction;
4. Orders for a client may not be combined with orders for other accounts or funds under management; and
5. The client may not obtain the benefit of reductions in commissions resulting from the combining of orders that the client might have obtained if the client did not so direct its brokerage.

The disclosure acknowledgement is maintained in the client's file. The Service Provider's Operations Manager or her designee will make best efforts to ensure that clients who direct brokerage have signed an acknowledgement of their receipt of the disclosure.

In certain instances, Hood River will engage in “step-out” transactions. A step-out transaction occurs when a single broker-dealer executes an order and we direct another broker-dealer to clear and settle some or all of the trade. The executing broker-dealer formally gives up its obligation and steps-out all or a portion of the transaction to the other broker-dealer. Step-out transactions are typically entered into in order to implement a client's decision to direct brokerage commissions to a specified broker-dealer, or for best execution purposes.

Trading Procedures – Trade Order for Investment Actions

Investment actions (defined as a change to any of our model portfolios) are made independently for each investment strategy and are implemented with specific reference to each applicable client account. When determining the sequencing of client account trades during an investment action (which may include multi-trade orders), we attempt to aggregate transactions.

There are times when clients with individual investment policies or restrictions will not be able to participate in aggregated transactions and will only be invested in a particular security after compliance with the investment policies or restrictions has been established. It is possible these clients will receive a less favorable price on such transactions. Additionally, in cases where a passive breach of a market value limitation occurs, the client will incur additional transaction costs in order to keep the account within the investment guidelines.

Aggregation of Transactions

Although each client account is individually managed, Hood River often will, at any given time, purchase and/or sell the same securities for many accounts. Certain clients may not be included in certain aggregated transactions because of cash availability, tax consequences for taxable accounts and/or other reasons. If Hood River is unable to fill an aggregated transaction completely, but receives a partial fill of an aggregated transaction, Hood River allocates the partially filled transaction pro rata, or based on an equitable rotational system. Consideration is given to investment criteria, size of account, size of allocation, cash availability and other compliance requirements.

Initial Public Offerings & Secondary Offerings

Hood River occasionally participates in initial public offerings (IPO's) and secondary offerings. A selling group (syndicate) underwrites these offerings. Hood River establishes which accounts are eligible to participate in an offering and the appropriate amount of shares for each account. When the shares are allocated from syndicate, shares are allocated to accounts on a pro rata basis. If the allocation is deemed too small, the shares will be allocated on a random basis. Hood River may decline to participate in an offering. Hood River may also elect not to have all accounts participate even if the accounts are eligible to participate pursuant to the policy, if Hood River believes that the IPO is not appropriate for the accounts. Over time, allocations to eligible accounts will be on a fair and equitable basis.

Cross Transactions

In the course of providing advisory services, Hood River may simultaneously recommend the sale of a particular security for one account and the purchase of the same security for another account if such recommendations are consistent with each client's investment objectives and guidelines as well as consistent with Hood River's fiduciary obligations to each client account participating in such “cross transactions”. If Hood River determines that it is more cost effective and in the best interest of clients to cross securities between client accounts, Hood River, acting as investment adviser and fiduciary to both buyer(s) and seller(s), may effect cross trades between client accounts consistent with its policies and procedures. Effective for transactions occurring after August 17, 2006, the Pension Protection Act (PPA) includes an exemption from ERISA's prohibited transaction rules for cross trading and enables investment advisers to ERISA plans to engage in cross trading if plan assets exceed \$100 million. Cross trading, under

pre-PPA rules, was prohibited due to ERISA's prohibition against fiduciaries representing adverse parties in a transaction.

Item 13 – Review of Accounts

The Head Trader reviews client portfolios in conjunction with the Hood River portfolio managers. Trading runs a multi-drift report monthly to check for outliers. Trading also reviews performance dispersion and portfolio weightings on a daily basis.

A written report of a client's complete portfolio is generally provided to clients at least on a quarterly basis. Each report typically contains a detailed analysis of a client account's investment performance, assets under management, and sector weightings. Personal or telephone reviews with each client are conducted as necessary.

Item 14 – Client Referrals and Other Compensation

Hood River may enter into solicitor arrangements to compensate organizations that refer clients to Hood River. These arrangements are intended to comply with the applicable rules and regulations of the Investment Advisers Act of 1940. Details regarding the fees payable to a placement agent or other third-party solicitor under any such solicitor arrangement will be set forth in a written agreement with such solicitor and, as required, disclosed to the applicable client via separate notice. Clients and investors should be aware that the receipt of compensation by a placement agent or third-party solicitor may create a conflict of interest, and may affect the judgment of the placement agent or solicitor when making a recommendation for an investment with Hood River.

Hood River does not currently have any active soliciting agreements.

Item 15 – Custody

Hood River does not maintain physical custody or possession of any of its client funds or securities. Hood River will ensure that information on all trades executed on behalf of its clients will be delivered to the corresponding custodian. Clients should carefully review the account statements that they receive from their qualified custodian along with those they receive from Hood River.

Item 16 – Investment Discretion

Generally, Hood River manages its client accounts on a discretionary basis pursuant to written investment advisory agreements. A client, upon engaging Hood River as its discretionary investment manager, must select one of Hood River's strategies. The client may change the strategy upon written request to Hood River. Moreover, Hood River will manage the client's portfolio in accordance with the client's individual investment objectives, financial situation, risk tolerance, and any reasonable investment guidelines or restrictions established by the client. Investment guidelines and restrictions must be provided to Hood River in writing.

Item 17 – Voting Client Securities

General Principals

Hood River recognizes its responsibility to vote proxies with respect to securities owned by a client in the economic best interests of its client and without regard to the interests of Hood River or any other client of Hood River as outlined in its Proxy Voting Policies and Procedures (“Policies”).

These Policies apply to securities held in client accounts in which Hood River has direct voting authority. Unless specifically addressed in the investment advisory agreement, Hood River will vote proxies consistent with its fiduciary obligation. In some cases, the client has requested that Hood River not vote proxies for a particular account.

Hood River’s policy is to exercise its proxy voting discretion absent special circumstances and in accordance with the guidelines set forth in the Proxy Voting Guidelines (“Guidelines”) unless a client has requested the use of their own proxy voting guideline or direction and such guideline or direction is prudent under the circumstances. Any changes to the Guidelines must be pre-approved in writing by the Proxy Voting Committee (“The Committee”). The Committee includes the Service Provider’s Operations Manager, the CCO and at least one Hood River portfolio manager.

Voting Process

Hood River votes all proxies on behalf of a client’s portfolio in fundamentally driven strategies unless Hood River determines it would be in its clients’ overall best interests not to vote. Such determination may apply with respect to all client holdings of the securities or only certain specified clients, as Hood River deems appropriate under the circumstances including:

- a) the client requests in writing that Hood River not vote;
- b) the proxies are associated with unsupervised securities;
- c) the proxies are associated with securities transferred to Hood River’s management then liquidated;
- d) the costs of voting the proxies outweigh the benefits; or
- e) the proxy ballot is not received.

The Service Provider’s Operations Department (“Operations”) is responsible for coordinating the voting of proxies received by Hood River. To help facilitate the proxy voting process, The Committee provides centralized management of the proxy voting process and makes all proxy voting decisions except under special circumstances as noted below. The Committee:

- a) Supervises the proxy voting process, including the identification and review of potential material conflicts of interest involving Hood River and the proxy voting process with respect to securities owned by a client;
- b) Determines how to vote proxies relating to issues not covered by these Policies; and
- c) Determines when Hood River may deviate from these Policies.

The Committee will review the analyst or portfolio manager’s recommendation if it differs from the proxy research firm’s recommendation per the Guidelines. Following the review of the recommendation, the proxy will be voted according to the majority vote of the Committee. If a Committee member disagrees with the recommendation of the analyst or portfolio manager, the reasons for the disagreement will be documented. Operations will keep documents of proxy decisions made by the Committee. Since Hood River generally considers the quality of a company’s management in making investment decisions, Hood River regularly votes proxies in accordance with the recommendations of a company’s management if there is no conflict with shareholder value.

When Hood River has proxy voting authority on an account, it adds up the shares owned by those accounts ("Eligible Shares") and reconciles them to the shares reported by its proxy-voting agent. For those accounts where clients participate in securities lending, shares on loan will not be included in the Eligible Shares. Generally, Hood River aims for less than a 10% difference in shares voted versus Eligible Shares. The difference of shares voted and Eligible Shares may include the timing of new and terminated accounts.

Hood River uses a proxy-voting agent to ensure that, as much as possible, Eligible Shares are voted and timely reporting is provided to Hood River and its clients. If Hood River receives ballots from a source other than the proxy-voting agent, Hood River will try to vote them using other means.

Conflicts of Interest

Potential or actual conflicts of interest relating to a particular proxy proposal may be handled in various ways depending on the type and materiality. Depending upon the facts and circumstances of each situation and the requirements of applicable law, options include:

- a) Voting the proxy in accordance with the voting recommendation of an unaffiliated, third-party vendor; or
- b) Voting the proxy pursuant to client direction.

Voting the securities of an issuer in which the following relationships or circumstances exist is deemed to give rise to a material conflict of interest for purposes of these Policies:

- a) The issuer is a client of Hood River and Hood River manages its portfolio or its retirement plan. In such a case, Hood River will obtain an independent, third-party opinion and will follow the recommendation of the third party;
- b) The issuer is an entity in which the Hood River industry analyst or portfolio manager assigned to review the proxy has a relative^a in management of the issuer or an acquiring company. In such a case, the analyst or portfolio manager will not make any vote recommendations and another analyst or portfolio manager will review the proxy. Although the proxy will be re-assigned, the industry analyst or portfolio manager will still be available to answer questions about the issuer from other Committee members;
- c) The issuer is an entity in which a Committee member has a relative in management of the issuer or an acquiring company. In such a case, the Committee member with the conflict will not vote on the proxy and the alternate member of the Committee will vote instead;
- d) The issuer is an entity in which an officer or director of Hood River or a relative of any such person is or was an officer, director or employee, or such person or relative otherwise has received more than \$500 annually during Hood River's last three fiscal years. In such a case, Hood River will obtain an independent, third-party opinion and will follow the recommendation of the third party;
- e) Another client or prospective client of Hood River, directly or indirectly, conditions future engagement of Hood River on voting proxies with respect to any client's securities on a particular matter in a particular way;
- f) Conflict exists between the interests of an employee benefit plan's portfolio and the plan sponsor's interests. In such a case, Hood River will resolve in favor of the plan's portfolio; or

^a For the purposes of these Policies, "relative" includes the following family members: spouse, minor children, stepchildren, or children or stepchildren sharing the person's home.

- g) Any other circumstance in which Hood River's duty to serve its clients' interests, typically referred to as its "duty of loyalty," could be compromised.

Notwithstanding the foregoing, a conflict of interest described above shall not be considered material for the purposes of these Policies with respect to a specific vote or circumstance if:

- a) The securities with respect to which Hood River has the power to vote account for less than 1% of the issuer's outstanding voting securities, but only if: (i) such securities do not represent one of the 10 largest holdings of such issuer's outstanding voting securities; and (ii) such securities do not represent more than 2% of the client's holdings with Hood River; and /or
- b) The matter to be voted on relates to a restructuring of the terms of existing securities or the issuance of new securities or a similar matter arising out of the holding of securities, other than common equity, in the context of a bankruptcy or threatened bankruptcy of the issuer.

For clients that are registered investment companies ("Funds"), in which a material conflict of interest has been identified and the matter is not covered by the Policies, Hood River will disclose the conflict and the Proxy Voting Committee's determination of the manner in which to vote to the Fund's Board or committee of the Board. The Committee's determination will take into account only the interests of the Fund, and the Committee will document the basis for the decision and furnish the documentation to the Fund's Board or committee of the Board.

For clients other than Funds, in which a material conflict of interest has been identified and the matter is not covered by the Policies, the Committee will disclose the conflict to the client and advise the client that its securities will be voted only upon the recommendations of an independent third party.

Recordkeeping and Retention

Hood River retains records relating to the voting of proxies, including:

- a) A copy of these Policies and any amendments thereto;
- b) A record of each vote cast by Hood River on behalf of clients;
- c) A copy of any document created by Hood River that was material to making a decision on how to vote or that memorialized the basis for that decision; and
- d) A copy of each written request for information on how Hood River voted proxies on behalf of the client, and a copy of any written response by Hood River to any oral or written request for information on how Hood River voted.

Hood River will maintain and preserve these records for such a period of time as required to comply with applicable laws and regulations.

Hood River may rely on proxy statements filed on the SEC's EDGAR system or on proxy statements and records of votes cast by Hood River maintained by a third party, such as a proxy voting service (provided Hood River had obtained an understanding from the third party to provide a copy of the proxy statement or record promptly upon request).

Clients that wish to vote in a particular solicitation, obtain information about how Hood River voted their securities, or obtain a copy of the proxy voting policies and procedures may contact the Service Provider's Operations Department at (877) 725-4432.

Item 18 – Financial Information

Registered investment advisers are required to provide certain disclosures and financial information to clients. Hood River 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.