

## **Accumulus Capital Management, LLC Form ADV Part 2A - *Brochure***

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**This brochure provides information about the qualifications and business practices of Accumulus Capital Management, LLC. If you have any questions about the content of this brochure, please contact us at: (212) 490-7570 or m.curran@accumuluscapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

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

**Accumulus Capital Management, LLC is a SEC registered investment adviser. SEC registration does not imply a certain level of skill or training.**

**Item 2. Material Changes**

The following material changes were made in this *brochure* from the Firm's previous annual filing of its *brochure* dated February 23, 2021: None.

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NOTE:

Terms in *italics* have the meanings set forth in the General Instructions of Form ADV.

#### Item 4. Advisory Business

- A. Accumulus Capital Management, LLC (“the Firm”) provides investment advisory services to two private pooled investment vehicles that are offered to investors on a private placement basis and investment advisory and discretionary investment management services to Managed Account clients (“Managed Accounts”).

The Firm is a Delaware limited liability company which was formed on May 17, 2001 and has been in business since that time.

The private pooled investment vehicles advised by the Firm are: Accumulus Fund, L.P., a Delaware Limited Partnership (“AFLP”) and Accumulus Fund (the “AF”), a Cayman Islands exempted company incorporated with limited liability (AFLP and AF collectively are referred in this Form ADV Part 2A as the “Funds” and each a “Fund”).

Pursuant to investment advisory agreement with the Funds and advisory/management agreements with respect to Managed Accounts, the Firm is responsible for: (i) deciding on the securities to be purchased and sold consistent with the investment objectives; (ii) decisions with respect to leverage and hedging transactions and (iii) monitoring *client* investments.

Benjamin Schliemann and Stefan Zellmer are responsible for managing and selecting the assets of the Funds and Managed Accounts.

- B. The investments of a Fund are managed in accordance with the Fund’s investment objectives, strategies and guidelines and are not tailored to any particular investor in the Fund. Other than Fund investors which are also Managed Account *clients*, the Firm does not provide investment advice to the Funds’ investors; therefore, investors should consider whether an investment in a Fund meets their investment objectives and risk tolerance.

The Firm’s investment advisory services include adhering to the investment objectives of the Funds and Managed Accounts, determining appropriate asset allocation across investment strategies, selecting and managing assets and investments, and monitoring existing and prospective investments in accordance with the Funds and each Managed Account’s objectives and risk parameters.

The Firm specializes in providing advisory services where the primary investment objective is to achieve superior long-term risk-adjusted returns by investing in a diversified portfolio, consisting primarily of non-traditional investments that seek an appreciation of capital higher than the long-term returns generally obtainable from a balanced portfolio of traditional equity, fixed income and money market securities. Non-traditional investments are defined as funds and other investment structures (collectively, the “Money Managers”), which (i) seek to achieve positive or “absolute” performance, (ii) use a broad range of investment strategies including short sales and leverage, and (iii) involve management with

commitment of its own capital, and (iv) compensate management through a performance based fee structure. Each Money Manager invests according to its individual philosophy and strategy, independent of the other Money Managers which the Firm invests *client* assets.

The Firm does not provide financial planning.

- C. The advisory services provided to a Fund are in accordance with the Fund's investment objectives, strategies and guidelines. The advisory services provided to Managed Accounts are in accordance with each Managed Account's investment objectives, strategies and guidelines. Managed Account *clients* may impose restrictions on investing in certain securities or types of securities.
- D. The Firm does not participate in any *wrap fee programs*.
- E. *Client* assets under management on a *discretionary* basis as of December 31, 2020 were US\$393,905,150. *Client* assets under management on a *non-discretionary* basis as of December 31, 2020 were US\$473,940,700.

#### Item 5. Fees and Compensation

- A. The Firm receives, as compensation for its services to AFLP, a profit allocation, at the end of each fiscal year. The profit allocation will be equal to one percent (1%) multiplied by the average monthly net asset value of each capital account in AFLP during such fiscal year, as determined by each capital account's net asset value as of the beginning of each month.

The Firm receives, as compensation for its services to AF, a management fee calculated and payable monthly in advance. The monthly management fee will be equal to 0.083% (1% annually) multiplied by the net asset value of each capital account in AF, as determined by each capital account's net asset value as of the beginning of each month.

Managed Account Fees are negotiable.

- B. The Firm deducts the fees in Item 5.A. that are payable in connection with its advisory service to the Funds from the Fund investors' assets. Managed account fees are billed to each client.
- C. All costs of the Funds and Managed Accounts investment programs (including brokerage and custody charges, interest and taxes, and fees payable to the administrator, Investment advisor, and prime broker and custodian), as well as administrative expenses, professional fees of its accountants and attorneys, and extraordinary costs and expenses are paid out of the applicable Fund or Managed Account assets.

- D. As disclosed in Item 5.A above, the Firm requires the payment of management fees monthly in advance for investors in AF. If the Firm permits an investor in AF to redeem in the middle of a month and/or AF is terminated in the middle of a month, no such management fees will be refunded.
- E. The Firm and its *supervised persons* do not accept compensation for the sale of securities or other investment products.

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

The Firm may accept *performance-based fees* from Managed Account *Clients*. The Firm and its *supervised persons* may manage both accounts that are charged *performance based fees* and accounts that are charged asset based fees as noted in Item 5.A. above. Accordingly, the Firm and its *supervised persons* have an incentive to favor *performance-based fee* accounts because compensation for advisory services exceed fees charged to asset based fee accounts. To address this conflict of interest, neither the Firm nor its *supervised persons* may violate the Firm's code of ethics or otherwise violate applicable law or fiduciary standards to which the Firm and its *supervised persons* may be subject. See Item 11 below.

#### **Item 7. Types of Clients**

*Clients* include the Funds and Managed Account *clients*. Managed Account *clients* are generally institutions, corporations, insurance companies, family offices, pension plans, trusts, endowments, foundations and investment companies.

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

- A. The methods of analysis and investment strategies are as follows: The Firm seeks to allocate AF, AFLP and Managed Accounts assets to Money Managers that the Firm believes have displayed superior performance in delivering risk adjusted returns. The Firm focuses primarily on those Money Managers who generally invest in highly liquid securities of both U.S. and non-U.S. issuers. It is anticipated that such Money Managers will invest across a broad spectrum of companies, industries and sectors. The Firm will generally not invest *client* assets with those Money Managers who invest in privately placed or restricted securities. Many of the Money Managers may employ leverage as part of their overall investment strategy, as well as engage in the short sale of securities. Additionally, the Firm may allocate Fund and Managed Account assets in securities other than other investment entities from time to time and may temporarily invest available Fund and Managed Account monies in cash or cash equivalents.

Investing in securities involves risks of loss that *clients* should be prepared to bear.

B. The following material risks are involved in the investment strategies or methods of analysis used by the Firm:

a. Multiple Investment Managers

Because the Firm invests *client* assets with Money Managers who make their trading decisions independently, it is theoretically possible that one or more of such Money Managers may, at any time, take positions which may be opposite of positions taken by other Money Managers. It is also possible that the Money Managers retained by the Firm on behalf of *clients* may on occasion be competing with each other for similar positions at the same time. Also, a particular Money Manager may take positions for its other clients which may be opposite to positions taken for *clients* of the Firm.

b. Performance-Based Compensation Arrangements with Money Managers

*Clients* advised by the Firm will typically enter into arrangements with Money Managers which provide that Money Managers be compensated, in whole or in part, based on the appreciation in value (including unrealized appreciation) of the account during specific measuring periods. In certain infrequent cases, Money Managers may be paid a fee based on appreciation during the specific measuring period without taking into account losses occurring in prior measuring periods, although the Firm anticipates that most, if not all, Money Managers who charge such fees will take into account prior losses. Such performance fee arrangements may create an incentive for such Money Managers to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements.

A *client* advised by the Firm may be required to pay an incentive fee to the Money Managers who make a profit for the *client* in a particular fiscal year even though the *client* may in the aggregate incur a net loss for such fiscal year.

c. Currency Risks and Related Expenses

*Client* investments typically will be denominated in multiple currencies and 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 and capital appreciation and political developments.

d. Diversification

Although the Firm will seek to obtain diversification by investing *client* assets with a number of different Money Managers with different strategies or styles, it is possible that several Money Managers may take substantial positions in the same security or



group of securities at the same time. This possible lack of diversification may subject the investments of a *client* to more rapid change in value than would be the case if the assets of the *client* were more widely diversified.

e. Activities of Money Managers

Although the Firm will seek to select for *clients* only Money Managers who will invest *client* assets with the highest level of integrity, the Firm will have no control over the day-to-day operations of any of the selected Money Managers. As a result, there can be no assurance that every Money Manager engaged by the Firm for a *client* will conform its conduct to these standards.

f. Limits on Information

The Firm selects Money Managers for *clients* based upon the factors described in Item 4.B. above. The Firm will request detailed information from each Money Manager regarding their historical performance and investment strategy. However, the Firm may not always be provided with detailed information regarding all the investments made by the Money Managers because some of this information may be considered proprietary information by Money Managers.

g. Lack of Operating History of Money Managers

The Money Managers to which the Firm will allocate *client* assets may have limited performance history in operating their own management company (although such Money Managers typically will have significant prior experience in the securities industry). Therefore, such investments may involve greater risks than investments with more established Money Managers.

h. Expenses

The expenses to a *client* may be a higher percentage of net assets than would be found in other investment entities. Because the Firm invests *client* assets in other investment entities, there may be a significant turnover rate associated with *client's* investments and, therefore, commensurably high brokerage fees may be incurred. Moreover, such turnover rate will be out of the direct control of the Firm.

i. Short Sales

The Money Managers may engage in “short selling” of securities. In certain circumstances short sales can substantially increase the impact of adverse price movements on a *client's* portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss.

There can be no assurance that securities necessary to cover a short position will be available for purchase.

j. Options

The Money Managers may purchase or write options on securities. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses the premium paid. Selling options, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security (which could result in a potentially unlimited loss) rather than only the loss of the premium payment received. Over-the-counter options also involve counterpart solvency risk.

k. Leverage

The Money Managers may also employ leverage to a limited extent. Leverage increases returns to a *client* if the *client* earns a greater return on leveraged investments than the cost of such leverage. However, the use of leverage exposes *clients* to additional levels of risk including (i) greater losses from investments than would otherwise have been the case had the Money Manager not borrowed to make the investments, (ii) margin calls or changes in margin requirements may force premature liquidations of investment positions, and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the cost of leverage related to such investments. In the event of a sudden, precipitous drop in value of the Money Manager's assets, the Money Manager might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred. The Firm may also employ leverage to the extent necessary to keep a *client* fully invested.

l. Futures

The Firm may allocate *client* assets to Money Managers who invest in financial futures and commodities interests. Trading in commodities, commodity futures contracts and options thereon are highly specialized activities which, while they may increase the total return on a fund's portfolio, may entail greater than ordinary investment risks.

m. Limited Withdrawal Rights

Because of the limitation on withdrawals and the fact that Fund interests are not tradable, and furthermore, due to the fact that a Fund may invest with Money Managers

who do not permit frequent withdrawals, an investment in the Funds is a relatively illiquid investment and involves a high degree of risk.

A subscription for Fund interests should be considered only by persons financially able to maintain their investment and who can afford a substantial loss of their investment.

n. Lack of Liquidity; Valuation

*Client* assets may, at any given time, include securities and other financial instruments or obligations which are thinly-traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts and it may be extremely difficult to accurately value any such investments.

o. High Yield Securities

The Money Managers may invest in "high yield" bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those for higher rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

p. Counterparty and Custodial Risk

To the extent that Money Managers invest the assets of a *client* in swaps, derivative or synthetic instruments, repurchase agreements or other over-the-counter transactions or, in certain circumstances, non-U.S. securities, a client may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. It is expected that all securities and other assets deposited with custodians or

brokers will be clearly identified as being assets of a *client* and hence a *client* should not be exposed to a credit risk with regard to such parties. However, it may not always be possible to achieve this and there may be practical or time problems associated with enforcing the *client's* rights to its assets in the case of an insolvency of any such party.

q. Small Cap Stocks

At any given time, a *client* may have significant investments with Money Managers who invest in smaller-to-medium sized companies of a less seasoned nature whose securities are traded in the over-the-counter market. These "secondary" securities often involve significantly greater risks than the securities of larger, better-known companies.

r. Special Situations

The Money Managers may invest in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to a *client* of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Money Managers may be required to sell a *client's* investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Money Managers may invest, there is a potential risk of loss by a *client* of its entire investment in such Money Manager.

s. Market Risk

The profitability of a significant portion of a *client's* investment program depends to a great extent on correct assessments of the future course of price movements of securities and other investments. There can be no assurance that Money Managers will be able to accurately predict these price movements. The securities markets have at times been characterized by great volatility and unpredictability. With respect to the investment strategy utilized by Money Managers there is always some, and occasionally a significant, degree of market risk.

t. Cybersecurity Risk

The Firm must rely in part on digital and network technologies to maintain computerized data about activities for client accounts and otherwise conduct their businesses. Like all businesses that use computerized data, the Firm and the cyber-networks it uses might in some circumstances be subject to a variety of possible

cybersecurity incidents or similar events that could potentially result in the inadvertent disclosure of confidential computerized data or *client* data to unintended parties, or the intentional misappropriation or destruction of data by malicious hackers mounting an attack on its computer systems. The Firm maintains an information technology security policy and certain technical and physical safeguards intended to protect the confidentiality of its internal data, and takes other reasonable precautions to limit the potential for cybersecurity incidents, and to protect data from inadvertent disclosure or wrongful misappropriation or destruction. Nevertheless, despite reasonable precautions, the risk remains that cyber security incidents could potentially occur, might in some circumstances result in unauthorized access to sensitive information about the Firm or its clients, and might cause damage to client accounts or the Firm's activities for *clients*.

C. See Item 8.B above.

### **Item 9. Disciplinary Information**

There are no legal or disciplinary events that are material to a *client's* or prospective *client's* evaluation of the Firm's advisory business or the integrity of its management.

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

- A. Neither the Firm nor its *management persons* are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.
- B. The Firm is not a commodity pool operator or a commodity trading advisor nor are its management persons associated persons of the foregoing entities.
- C. The Firm and/or its *management persons* have the following relationships with the indicated *related person*:
  - a. The Firm is owned and controlled by Mr. Schliemann. Mr. Schliemann and/or his *affiliates* manage and expect to continue to manage proprietary accounts and other investment and trading accounts with objectives similar in whole or in part to *clients*.

The Firm is required to act in a manner that it considers fair, reasonable and equitable in allocating investment opportunities among *clients*, but there are no specific obligations or requirements concerning the allocation of time, effort or investment opportunities to any particular *client* or any restrictions on the nature or timing of investments for the account of *clients* and Mr. Schliemann's (and/or his *affiliates*) own accounts or for other accounts which the Firm or Mr. Schliemann (and/or his *affiliates*) may manage.

The Firm and Mr. Schliemann (and/or his *affiliates*) currently and from time to time in the future, directly or indirectly, provide investment management services on behalf of other pooled investment vehicles, funds, accounts and *clients*. The Firm is not restricted from entering into other investment advisory or management relationships, or from engaging in other business activities with other *clients*, even though such activities may involve substantial time and resources. Such activities may involve similar or different investment objectives, philosophy or strategies as those of *clients* and could be viewed as creating a conflict of interest in that the Firm's time and effort will not be devoted exclusively to the business of any particular *client*.

The Firm may manage multiple *clients* that may hold positions in, or enter into transactions with, entities in which another *client* invests and several *clients* may have divergent interests from others. In addition, conflicts may arise due to the fact that different *clients* may enter into such transactions or invest in different levels of the capital structure of such entities.

The Firm may determine that an investment opportunity is appropriate for a particular *client*, or for itself, but not for another *client*. Situations may arise in which investment funds managed by the Firm have made investments that would have been suitable for investment by another *client*, but, for various reasons, were not pursued by, or available to, such *client*. To the extent the Firm, Mr. Schliemann (and/or his *affiliates*) or one of the Firm *clients* invests in a particular investment, the ability of another *client* to invest in the same investment may be adversely affected by any limitation on availability of the investment. In addition, the Firm may be required to choose between its *clients* with respect to a particular investment.

Each *client* may have divergent interests with respect to strategies in acquiring or exiting from certain investments. Conflicts may arise due to the fact that multiple *clients* may invest in different levels of the capital structure of, or otherwise in different securities or other instruments issued by or related to the same issuer. Investments by multiple *clients* may cause the Firm to become subject to legal or contractual restrictions on its ability to effect transactions for a particular *client*, for example due to the existence of a control relationship between the Firm and an issuer of a security in which the Firm has invested on behalf of another *client*. The Firm will act in a manner it considers fair, reasonable and equitable in allocating investment opportunities among *clients*, taking into consideration available capital, diversification considerations, any other anticipated opportunities and other relevant factors.

With regard to conflicts that might affect the separately managed accounts, it is noted that the owners of those accounts have constant access to full information about their accounts.

The Firm manages its potential conflicts of interest by maintaining a comprehensive compliance program that involves, among other things, the identification and review of

conflicts of interest with the goal of minimizing or eliminating any adverse effects they might have on *clients*. Where conflicts among *clients* or between *clients* and the Firm and/or Mr. Schliemann (and/or his affiliates) are known, it is the Firm's policy to disclose their existence through delivery of this Form ADV or otherwise at the Firm's discretion depending upon the circumstances, and to comply with legal requirements with respect to obtaining consents or other approval.

- b. The Firm shares office space and/or common areas on the 28<sup>th</sup> floor at 110 East 59<sup>th</sup> Street, New York, NY 10022 with SEC registered investment advisors RP Management, LLC ("Royalty Pharma") and Pharmakon Advisors, LP ("Pharmakon"). The Firm has an agreement with Royalty Pharma to occupy the office space whereby the Firm pays Royalty Pharma for its pro rata share for the office space and related overhead costs. Other than the agreement with Royalty Pharma, the Firm pays all of its own expenses related to the use and operations of its office. Due to the nature of the shared space, it is possible that either the Firm and/or Royalty Pharma may come into contact with certain information that (i) is not otherwise publicly available, (ii) is confidential in nature, (iii) may include material nonpublic information respecting certain investments or certain information regarding clients of a party or (iv) is proprietary in nature to either party (the "Confidential Information"). Because of the foregoing, the Firm and Royalty Pharma have entered into a confidentiality agreement whereby the parties have adopted procedures and practices reasonably designed to maintain the confidentiality of their own Confidential Information and use reasonable commercial efforts to implement such procedures and practices so as to maintain their Confidential Information confidential from the other party.
  - c. Neither Benjamin Schliemann, Stefan Zellmer nor Mary Ellen Curran are materially interested in any contract or arrangement which is unusual in its nature or condition or which is significant in relation to the business of the Firm, the Funds or the Managed Accounts.
- D. The Firm does not recommend or select other investment advisors which the Firm directly or indirectly receives compensation from those advisors.

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

- A. The Firm has a Code of Ethics ("Code"), which was adopted in accordance with Investment Advisers Act Rule 204A-1 to set forth the standards of business conduct required of any (i) director, officer, member or partner of the Firm and/or (ii) supervised persons who may be involved in investment advisory activities and/or have access to non-public information. The Code provides the ethical and legal framework in which the Firm and its employees are required to operate and to highlight some of the guiding principles and mechanisms for upholding the Firm's standard of business conduct as set forth in the Code. The Code contains: specific personal securities transaction policies designed to ensure that Firm's

personal and proprietary investing activities do not interfere with the best interests of its client(s); a policy statement on insider trading and related procedures designed to prevent the misuse of material, non-public information; and “Chinese Wall” procedures designed to ensure that decisions made by the Firm are reasonably insulated from material non-public information or conflicts of interest.

Furthermore, the Code incorporates the following general principles that all employees are expected to uphold: employees must at all times place the interests of Firm’s client(s) first; all personal securities transactions must be conducted in a manner consistent with the Code and any conflicts of interest or any abuse of an employee’s position of trust and responsibility must be avoided; employees must not take any inappropriate advantage of their positions; and information concerning the identity of securities and financial circumstances of the Firm’s client(s) and/or the Fund, including the Fund’s investors, must be kept confidential.

The Firm provides copies of its code of ethics to any *client* or prospective *client* upon request.

- B. The Firm or *related persons* may recommend to *clients*, or buy or sell for *client* accounts, securities in which the Firm or a *related person* has a material financial interest. The Firm or *related persons* may trade for their own accounts in securities that qualify for investment by the Fund. The Firm or *related persons* may manage, advise or hold an equity interest in other investment funds or accounts with similar objectives to the Fund and which invest in assets similar to those invested by the Fund. The Firm may in the future manage several funds which have investment objectives similar to those of the Fund. Circumstances may exist in which the purchase or sale of assets for one or more funds or accounts managed or advised by the Firm or a *related person* may have an adverse effect on the Fund. The Firm and *related persons* are not obligated to devote any specific amount of time to the affairs of the Fund and are not required to accord exclusivity or priority to the Fund in the event of limited trading or investment opportunities. In managing other accounts or trading or investing for their own accounts, the Firm or *related persons* may take positions which are opposite, or ahead of, positions taken for *clients*. In addition, the Firm or *related persons* may deal with the Fund as principals or agents in securities transactions.

To address these conflicts, the Firm and its *related persons* may not make investments or participate in transactions which violate the Code or otherwise violate applicable law or fiduciary standards to which the Firm may be subject. All *related persons* are required to notify the Chief Compliance Officer or her designee in order to pre-clear any personal securities transactions. Furthermore, all *related persons* must provide quarterly reports of their personal transactions and holdings within 30 days of the end of each calendar quarter, which may consist of monthly brokerage statements for all accounts in which they have a beneficial interest.

- C. See Item 11.B.



D. See Item 11.B.

## Item 12. Brokerage Practices

- A. To the extent the Firm purchases individual securities directly, the Firm's objective when selecting brokers and dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution with respect to its accounts' portfolio transactions. It therefore considers the full range and quality of a broker's services including, among other things, the value of research provided as well as execution capability, commission rate, financial responsibility and responsiveness. The best net price (taking into consideration transaction, market impact and opportunity costs), giving effect to brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other judgmental factors are considered as they are deemed relevant.

These factors include, but are not limited to: the Firm's knowledge of negotiated commission rates and spreads currently available; the nature of the security being traded; the size and type of the transaction; the nature and character of the markets for the security to be purchased or sold; the desired timing of the trade; the activity existing and expected in the market for the particular security; confidentiality; the execution, clearance and settlement capabilities as well as the reputation and financial strength of the broker-dealer selected; ongoing reliability and the Firm's knowledge of actual or apparent operational problems of any broker dealer; the broker-dealer's execution services rendered on a continuing basis and in other transactions; and the reasonableness of spreads or commissions.

### 1. Research and Other Soft Dollar Benefits.

- a. The Firm may, but currently does not, effect transactions through brokers with whom it has "soft dollar" commission arrangements. The benefits provided under such arrangements may assist the Firm in the provision of investment services to its *clients*. Specifically, the Firm may agree that a broker be paid a commission in excess of the amount another broker would have charged for effecting such transaction so long as, in the good faith judgment of the Firm, the amount of the commission is reasonable in relation to the value of the brokerage and other services provided or paid for such broker. The benefit received by the Firm in such instances is that it does not need to produce or pay for these services which take the form of research services, quotation services, special execution and clearance capabilities. The research can include both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party. These services may be used by the Firm in connection with transactions in which *clients* will not participate.
- b. For the reasons set forth above in Item 12.A.1.a., should the Firm utilize "soft dollar" commission arrangements, the Firm may have an incentive to select or recommend a

broker-dealer based on its interest in receiving the research or other products or services, rather than on *clients* interest in receiving most favorable execution.

- c. *Clients* may pay commissions (or mark-ups or markdowns) higher than those charged by other-broker dealers in return for soft dollar benefits.
- d. The Firm may, but currently does not, effect transactions through brokers with whom it has “soft dollar” commission arrangements.
- e. The Firm acquired no products or services within the past year with *client* brokerage commissions (or mark-ups or markdowns).
- f. The Firm did not utilize any “soft dollar” commission arrangements within the last fiscal year.

2. Brokerage for Client Referrals.

The Firm does not consider, in selecting or recommending broker-dealers, whether it or a *related person* receives *client* referrals from any broker-dealer or third part party.

3. Directed Brokerage.

- a. The Firm is authorized to determine the broker-dealers through whom securities are bought or sold in accordance with the Funds specified investment objectives without *client* consultation or consent before a transaction is effected.
- b. The Firm does not permit its *clients* to direct brokerage.

- B. The Firm does not aggregate the purchase or sale of securities for various *client* accounts.

**Item 13. Review of Accounts**

- A. The Firm reviews *client* accounts on a monthly basis. The Firm undertakes a reconciliation process between its execution and clearing brokers, and also its own trades and positions and any administrators. The Firm’s Controller conducts the reviews.
- B. The Firm reviews *client* accounts on a periodic basis as described in Item 13.A. above.
- C. The Firm or the Funds administrator, as applicable, produces a monthly net asset valuation. The Firm uses the same prices and accounting practices as the administrator to estimate the NAV for the Managed Accounts. Written monthly statements containing the net asset value, performance, applicable analysis, and material information about accounts are prepared for *clients* by the Firm.

#### Item 14. Client Referrals and Other Compensation

- A. The Firm receives no economic benefit from anyone who is not a *client* for providing investment advice or other advisory services to the Firm's *clients*.
- B. The Firm from time to time, enters into written arrangements, on a non-exclusive and non-agent basis in conformance with SEC rule 206(4)-3, to compensate *persons* for *client referrals*. The arrangements require among other things, that the solicitor comply with the requirements of rule 206(4)-3 and other applicable law, as well as the terms of the solicitation agreement. Typically, a solicitor is paid no more than 25% of the fees payable to the Firm attributable to the investor introduced to the Firm by the solicitor. The solicitor must at the time of the solicitation provide the *client* with a copy of this *brochure* and a separate document which discloses: (i) a description of the solicitation agreement; (ii) any affiliation between the solicitor and the Firm; (iii) the compensation paid for the solicitation; and (iv) whether the advisory fee for solicited *clients* are higher than those for other *clients* due to compensation paid to the solicitor.

#### Item 15. Custody

Managed Account *clients* receive monthly account statements directly from their custodians as well as statements from the Firm or the Fund's administrator. Managed Account *clients* should carefully review and compare those statements. Investors in the Funds receive the Funds' audited financial statements prepared by an independent auditor registered with and subject to inspection by the Public Company Accounting Oversight Board. All such financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") and are delivered to investors within 180 days of the Funds' fiscal year end. In addition, investors in the Funds received periodic unaudited account statements.

#### Item 16. Investment Discretion

The Firm provides discretionary advice with respect to some of its *clients* and is authorized to make the following determinations in accordance with a *client's* specified investment objectives without *client* consultation or consent before a transaction is effected:

- Which securities to buy or sell.
- The total amount of securities to buy or sell.
- The broker or dealer through whom securities are bought or sold.
- The commission rates at which securities transactions for client accounts are effected.

- The prices at which securities are to be bought or sold, which may include dealer spreads or mark-ups and transaction costs.

The Firm may not exceed certain parameters set by the investment objectives of a *client*. Discretionary authority is assumed by the Firm pursuant to the terms of each applicable investment advisory agreement with a *client*.

#### **Item 17. Voting Client Securities**

If applicable and unless otherwise directed and agreed between the Firm and a *client*, proxy proposals received by the Firm will be voted by the Firm in accordance with the Firm's proxy voting policy. Proxy proposals received by the Firm and designated as "Case by Case" (or not addressed) will be thoroughly reviewed by the Firm and voted in the best interests of the *Client*. The Firm will document the basis for the Firm's voting decisions.

#### **Item 18. Financial Information**

- A. The Firm does not require or solicit prepayment of fees from *clients*.
- B. There is no financial condition of the Firm that is reasonably likely to impair the Firm's ability to meet contractual commitments to *clients*.
- C. The Firm has never been the subject of a bankruptcy petition.