



THOMPSON DAVIS ASSET MANAGEMENT

Form ADV Part 2A Brochure

Investment Manager to
Seven Hills Capital Partners, LP

February 5, 2021

Item 1 – Cover Page

This brochure provides information about the qualifications and business practices of Thompson Davis Asset Management. If you have any questions about the contents of this brochure, please contact your financial advisor or Peggy Myers Walz, Chief Compliance Officer, at (804) 644-6382 or email PWalz@thompsondavis.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Thompson Davis Asset Management is a Registered Investment Advisor. Registration of an Investment Advisor does not imply any level of skill or training. Additional information about Thompson Davis Asset Management (CRD #41353) is available on the SEC's website: www.adviserinfo.sec.gov.

Thompson Davis Asset Management
9030 Stony Point Parkway, Suite 100
Richmond, VA 23235
www.ThompsonDavis.com

Item 2 – Material Changes

This Brochure is our most recent ADV Part 2 Brochure. The material change since our last annual filing dated March 24, 2020, is that we have transitioned our registration from a state-registered investment adviser to an SEC-registered investment adviser, enhanced our risk disclosures to address business disruptions, cybersecurity, and pandemics, and clarified disclosures related to additional compensation that the Firm receives under **Items 4, 8, and 14**.

We will deliver the applicable disclosure brochure(s) or Form ADV Part 2 to you before or at the time we enter into an investment advisory contract with you. In addition, we will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

At any time, you may receive our Brochure by contacting us at (804) 644-6380, downloading it from our website at www.ThompsonDavis.com, or viewing it at the SEC website <http://www.adviserinfo.sec.gov>.

We urge you to review this document carefully in its entirety, as well as all subsequent summaries of material changes. This document contains important information about our advisory services, fee structure, business practices, conflicts of interest, and disciplinary history.

Item 3 – Contents

Item 1 – Cover Page	1
Item 2 – Material Changes	2
Item 3 – Contents	3
Item 4 – Advisory Business.....	4
Background Information	4
Advisory Services	4
Item 5 – Fees and Compensation	5
Standard Fee Schedule	5
Fee Payments & Termination.....	6
Other TDAM Compensation Related to Seven Hills	6
Item 6 – Performance-Based Fees and Side-by-Side Management.....	6
Item 7 – Types of Clients	8
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	8
Methods of Analysis and Investment Strategies.....	8
The Great 8	8
Features, Risks, Disclosures and Other Important Information.....	9
Item 9 – Disciplinary Information.....	14
Item 10 – Other Financial Industry Activities and Affiliations	14
Mutual Funds	15
Item 11 – Code of Ethics, Policies, and Procedures.....	15
Personal Trading.....	16
Participation or Interest in Client Transactions	17
Trade Errors.....	18
Item 12 – Brokerage Practices.....	19
Brokerage Selection and Best Execution	19
Soft Dollars	19
Investment Allocation, Aggregation, and Block Trading.....	21
Client-Directed Brokerage.....	22
Item 13 – Review of Accounts.....	22
Reviews and Reviewers of the Accounts	22
Nature and Frequency of Regular Reports to Clients on their Accounts.....	22
Confirmations.....	22
Item 14 – Client Referrals and Other Compensation.....	23
Compensation Received from a Non-Client Related to our Advisory Services	23
Solicitation Arrangements	24
Item 15 – Custody.....	25
Item 16 – Investment Discretion.....	25
Item 17 – Voting Client Securities	25
Item 18 – Financial Information.....	25

Item 4 – Advisory Business

Clients should read and consider the information contained in this Brochure. There is no assurance that the objectives of any client will be achieved.

Background Information

Thompson Davis Asset Management (“TDAM”, “Firm”, “we”, “our”) is a division of Thompson Davis & Co., Inc. (“TD&Co.”), a New York corporation that commenced operation as a registered broker-dealer in July 2002. In February 2007, TD&Co. became dually registered as an investment advisor and broker-dealer. In its broker-dealer capacity, TD&Co. is a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”). TDAM represents the asset management side of the business while TD&Co. represents the broker-dealer side of the business. The Firm has been registered as an investment adviser at both the state and federal level since February 2007. Currently, we are registered with the U.S. Securities and Exchange Commission (“SEC”) and notice filed with the appropriate state regulatory authorities.¹

TD&Co. is a privately held, employee-owned business. The Principal shareholder is William D. Davis, Jr.

Advisory Services

TD&Co. provides discretionary advisory services through Separately Managed Accounts (“SMAs”) to individuals, corporations or other business entities, trusts, estates, charitable organizations, and retirement plans located primarily inside the United States through TDAM. In addition, TDAM serves as Portfolio Manager to a limited partnership, Seven Hills Capital Partners, LP (“Seven Hills” or the “Fund”). This brochure will focus only on Seven Hills. A different brochure focuses on our SMA advisory services, which can be downloaded from our website www.ThompsonDavis.com or viewed at the SEC website <http://www.adviserinfo.sec.gov>.

Seven Hills Capital Management LLC, which serves as the general partner (GP) of the Fund, has engaged TDAM to serve as the Investment Manager to the Fund by executing a TDAM Investment Advisory Agreement. TDAM, acting as investment advisor, has assisted in the establishment of an Account for the Fund at TD&Co. (as the introducing broker-dealer) and cleared/custodied through Pershing, LLC (“Pershing”).

The Fund’s investment objective is generating the highest potential capital appreciation. The Portfolio Manager will seek to achieve this objective by utilizing an all-cap dynamic growth and trading strategy with a focus primarily in U.S. micro-cap and mid-cap securities. This strategy typically involves frequent, short-to medium-term transactions and requires a willingness to assume the highest level of risk. There can be no assurances the Fund will achieve its investment objective. Admission as a limited partner in the Fund is not open to the general public. The Fund is not intended as a complete investment program and is designed only for a person who is able to bear the economic risk of the loss of their investment in the Fund and either is a sophisticated person in connection with financial and business matters or is represented by such a person in connection with their investment in the Fund. The Fund will be open to investment by persons that are both “accredited investors” within the meaning of Regulation D of the Securities Act of 1933, as amended, and “qualified clients” as defined in Rule 205-3 under the Investment Advisers Act of 1940 (“Advisers Act”), as amended.

TDAM provides advice to the Funds based on specific investment objectives and strategies outlined in the Fund’s private placement memorandum and other offering documents. Investors in the Funds may not impose restrictions on investing in certain securities or certain types of securities in the Fund.

TDAM specializes in active investing of smaller company common stocks, described in detail in **Item 8**. Unlike many asset management programs, TDAM allows clients, in this case the Fund, to request

¹ Registration of an Investment Advisor does not imply any level of skill or training.

limitations or restrictions on investing in certain securities or types of securities. Only the GP can make such requests, not the limited partners of the Fund.

As of December 31, 2020, TDAM managed \$117,056,031 on a discretionary basis through SMAs and the Fund.

Item 5 – Fees and Compensation

Standard Fee Schedule

Management Fee plus Performance Fee: This fee structure is available only to investors who meet the definition of a “Qualified Client” under Rule 205-3 under the Advisers Act, which is as follows:

- i. An investor that immediately after entering into the contract has at least \$1,000,000 under the management of the investment advisor; or
- ii. An investor entering into the contract (and any person acting on his behalf) that the investment advisor reasonably believes, immediately prior to entering into the contract, either:
 - a. Has a net worth, excluding primary residence (together, in the case of a natural person, with assets held jointly with a spouse), of more than \$2,100,000 at the time the contract is entered into; or
 - b. Is a qualified purchaser as defined in section 2(a)(51)(A) of the Investment Company Act of 1940 at the time the contract is entered into (in general, investor has investments greater than \$5,000,000); or
- iii. A knowledgeable employee of the advisory Firm.

Management Fee. Under the Advisory Agreement, the Fund pays a monthly management fee to the Portfolio Manager based on the Fund’s net assets marked to market at the beginning of each calendar month (the “Management Fee”). The Management Fee for any month is an amount equal to 0.166% of the value of each limited partner’s Capital Account (i.e., 2.0% per annum) without accrual of the Performance Fee. The Management Fee will be payable in arrears at the beginning of each month. The minimum capital contribution of a new limited partner is \$200,000. The Portfolio Manager may, at its sole discretion, waive the minimum contribution, and/or waive or reduce the Management Fee charged to limited partners that are members, directors, principals, employees, or affiliates of the GP or the Portfolio Manager, relatives of such persons, and certain large, strategic, or initial investors.

Performance Fee. Under the Advisory Agreement, the Fund pays a quarterly advisory fee based on the Fund’s performance (the “Performance Fee”) equal to 20% of each of the limited partners’ share of net profits after the Fund’s assets are marked to market at the end of such quarter, subject to loss carryforward provisions and a high-water mark. The Performance Fee will be payable in arrears at the end of each calendar quarter, and upon a withdrawal of limited partnership interests during the year. The Performance Fee has been structured to reward the Portfolio Manager only for performance that surpasses the highest net asset value previously attained. Net profits for a particular quarter will be calculated so that income and gains are not double-counted due to intervening losses. In this regard, new net profits will occur only when cumulative losses allocated to a limited partner’s interests from prior periods have been offset by gains achieved in subsequent periods. The Portfolio Manager may, at its sole discretion, waive or reduce the Performance Fee charged to limited partners that are members, directors, principals, employees, or affiliates of the GP or the Portfolio Manager, relatives of such persons, and certain large, strategic, or initial investors. Please see the Private Offering Memorandum for more details. The Performance Fee creates an incentive for the Portfolio Manager to cause the Fund to make investments that are riskier or more speculative than would be the case if this fee were not made. (Please see [Item 6](#) for more detailed disclosures of potential conflicts of interest related to performance fees).

In addition, Seven Hills pays any fees associated with maintaining a brokerage account as well as any commission fees, ticket charges, service charges, prime brokerage fees, etc. associated with buying or

selling securities. Commissions are negotiable with the executing broker-dealer. Please see the Private Offering Memorandum for more information on the fees.

Fee Payments & Termination

Management and Performance fees are deducted in arrears from each partner's capital account at the direction of the fund administrator. For limited partners of Seven Hills, please see the Private Offering Memorandum for information on terminating a limited partnership and the effect such termination has upon fee assessment.

Other TDAM Compensation Related to Seven Hills

The Firm, acting in its capacity as a broker-dealer, carries the account of the Fund. In this role, the Firm receives additional economic benefits. Direct economic benefits include commissions for executing trades for the Fund and potential other fees directly related to activity in the account. Please see [Item 14](#) for additional detail on compensation received by TD&Co. related to accounts held at Pershing. All of these potential costs to the Fund for carrying a brokerage account and engaging in brokerage activities create a potential conflict of interest to the Portfolio Managers as there can be an incentive for directing the Fund's investments toward a certain provider or certain activities. As a general matter, the Portfolio Manager considers it appropriate to execute trades utilizing the Firm's internal trading desk. The Firm receives a commission when executing transactions for Seven Hills if the transaction is executed internally. TDAM believes it has addressed this conflict of interest by arranging a commission amount that it believes it would pay in an arm's-length transaction with a comparable independent third party. Because commissions, fees, money market distribution assistance, margin interest sharing, etc., received for executing transactions for Seven Hills, or carrying the account of Seven Hills through Pershing, provides an economic benefit to the Firm's shareholders (including William D. Davis, Jr., who also is the controlling partner of the GP), the advisor has an incentive to execute transactions through TD&Co., to clear/custody through Pershing, which may not result in the lowest available brokerage commissions or custodial fees for the Fund. Because transaction fees arise each time a trade is executed for the Fund's account, we have a greater incentive to trade frequently in the Fund's account.

Occasionally, TD&Co., acting as a broker-dealer, will participate in syndicate transactions, including initial public offerings ("IPOs"), secondary offerings, private investments in public equity, private placements, etc. These distributions generally involve a selling concession paid directly from the issuer to the underwriters/selling group members and are not subject to the negotiated commission rate discussed above. On rare occasions, the Fund may buy some of a distribution in which TD&Co. is a participant. These types of transactions contain a potential conflict of interest with our advisory relationship. TD&Co. has an incentive to recommend syndicate transactions because they generally provide a separate and often higher level of compensation to the firm than other investments. The Portfolio Managers do not receive any direct compensation or sales concessions from such distributions.

No matter what structure of compensation a firm receives for managing customer's assets, conflicts of interest are inevitable. TD&Co. attempts to avoid these conflicts whenever possible and, if that is not feasible, we disclose these conflicts to our customers. The primary means we have of disclosing these conflicts of interest to our customers is through this Brochure, which is updated not less than annually.

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

As discussed in [Item 5](#) above, TDAM acts as the investment advisor to Seven Hills and is eligible to receive a performance fee for managing the Fund. TDAM also manages accounts based on a management plus performance fee basis. For the purposes of [Item 6](#), accounts charged based on a performance fee will be known as "performance accounts." In addition to these performance accounts and the partnership, TDAM manages SMAs, which do not pay a performance fee. Although the objectives of the Fund, the performance accounts, and the SMAs may be different, they also could be somewhat similar in that they are governed by our general investment philosophies. Managing two different formats of investments is often referred to as side-by-side management and doing so creates some conflicts of

interest. For example, there is an incentive for TDAM to focus more on the Fund or the performance accounts because there is a performance-based fee. The performance accounts potentially have a larger performance fee than the Fund, which incentivizes the Investment Manager to focus on the performance accounts over the Fund. Also, because the advisory fees payable to the Investment Manager by the Fund or the performance accounts can exceed advisory fees payable by the SMAs, the Investment Manager has an incentive to favor the Fund or performance accounts over other accounts in its trading activities. At times, this relationship may be reversed, and the Investment Manager perceives the SMAs as more lucrative to the Firm. The Investment Manager's advisory activities on behalf of the Fund, the performance accounts, or SMAs can increase the level of competition among such clients' accounts and the Fund or performance accounts for the execution of the same or similar transactions. Also, the Fund will be in competition with the Investment Manager's other clients for the limited amount of time the Investment Manager has to monitor the various trading portfolios, and orders for securities transactions for the Fund may be grouped with orders for other clients of the Investment Manager. The Investment Manager believes that it has sufficient time to devote to monitoring and trading the SMAs, performance accounts, and Fund's assets. In addition, TDAM believes it has created and implemented internal allocation policies and procedures to address these conflicts. Please see [Item 12](#) for a description of TDAM's allocation procedures. Performance fees will only be charged in accordance with the provisions of CCR Section 260.234.

In accordance with 21 V ACS-80-220, we are providing the following disclosures.

1. a. The client entering into the contract subject to this section must be a natural person or a company, as defined in subdivision 2 of this subsection and in the definition of "company" in subsection E of this section, who immediately after entering into the contract has at least \$1 million under the management of the investment advisor; or
 - b. A person who the registered investment advisor (and any person acting on his behalf) entering into the contract reasonably believes, immediately prior to entering into the contract, is a natural person or a company, as defined in subdivision 2 of this subsection and in the definition of "company" in subsection E of this section, whose net worth at the time the contract is entered into exceeds \$2 million. (The net worth of a natural person may include assets held jointly with such person's spouse.)
2. The term "company" as used in subdivision I of this subsection does not include:
 - a. A private investment company, as defined in subsection E of this section;
 - b. An investment company registered under the Investment Company Act of 1940; or
 - c. A business development company, as defined in § 202(a)(22) of the Advisers Act (15 USC § 80b-2(a)(22)) unless each of the equity owners (other than the investment advisor entering into a contract under this section) of any such company identified in subdivision 2 of this subsection, is a natural person or company described in this subsection.

In addition, prior to entering into an advisory contract permitted by this section, all material information concerning the proposed advisory arrangement including the following, as applicable, will be discussed with and/or disclosed to you:

1. That the fee arrangement may create an incentive for the advisor to make investments that are riskier or more speculative than would be the case in the absence of a performance fee;
2. Where relevant, that the advisor may receive increased compensation with regard to unrealized appreciation as well as realized gains in the client's account;
3. The time period which will be used to measure investment performance throughout the term of the contract and its significance in the computation of the fee;
4. The nature of any index which will be used as a comparative measure of investment performance, the significance of the index, and the reason the advisor believes the index is appropriate; and
5. Where an advisor's compensation is based on the unrealized appreciation of securities for which market quotations are not readily available, how such securities will be valued and the extent to which the valuation will be independently determined.

Item 7 – Types of Clients

TDAM provides investment advisory services to individuals, corporations or other business entities, trusts, estates, charitable organizations, and retirement plans. The minimum investment for a limited partner in Seven Hills is \$200,000. Limited Partners of Seven Hills are required to meet the definition of a “qualified client” under Rule 205-3. The minimum investment amount may be waived at the discretion of the GP. Please see the Private Offering Memorandum for more information.

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

Methods of Analysis and Investment Strategies

Active Account Management Strategy (formally known as Aggressive Growth and Tactical Trading Strategy):

The approach to our active account management strategy has deep roots in terms of process and discipline. It is a bottom-up approach that seeks to capitalize on perceived informational advantages and can be best described as an “all cap” aggressive growth and tactical trading strategy. This strategy is founded on the discipline of researching, investing, and trading in companies that we believe have the potential to meet the majority or all of certain bottom-up fundamental criteria over the next four quarters. This process is founded on the discipline TDAM refers to as “The Great 8.”

The Great 8

1. 20% + revenue and earnings growth.
2. Sequential revenue and earnings growth. Quarter over quarter improvement in both top and bottom line.
3. Insiders buying in open market. Top management buys the company’s stock in the open market, with their own money.
4. Significant management ownership of the stock. Shows commitment to performance.
5. Strong balance sheet, little or no debt or manageable declining debt. Strong cash position or debt reduction efforts should be present.
6. Member of a growing market sector. Typically, no deep cyclical or natural resource sectors.
7. Gross margin expansion and market share gains. Shows market demand for products or services.
8. Selling at a discount to the company growth rate. Allows for P/E expansion towards growth rate.

Research Methodology

TDAM uses “The Great 8” discipline to search for potential companies to add to our clients’ portfolios. Our Portfolio Managers and analysts conduct daily searches for growth companies by considering and reviewing information that may include the following:

- *Insider Buying Filings:* We review SEC filings for companies where company insiders also buy their company’s stock in the open market, with their own money.
- *Computer Screening:* We run daily computer screens that look for sequential revenue and earnings growth, strong balance sheets and companies selling at a discount to their growth rates.
- *New High List:* We review the New High List daily to review strong sectors and strong stocks.
- *Examining Earnings Releases:* We examine earnings releases and the company guidance that is given in these releases, searching for undervalued opportunities.

Once we find an interesting prospective investment, we continue the process by attempting to uncover a company's true potential, which may include the following:

- *Reviewing public financial information:* 10K, 10Q, Annual Reports, Research Reports.
- *Interviewing the CFO and/or CEO:* We interview management through conference calls and visits in our office and theirs. We ask the tough questions needed to form an objective opinion.
- *Analyzing management:* We attempt to determine if the management is credible. We examine their background and history. We look for management teams that are excited about the company's prospects, without being promotional.
- *Identifying data points:* We attempt to talk to the company's suppliers, vendors, and their competition to get a well-rounded objective view of the company.
- *Developing or reviewing existing one-year earnings models:* We develop or review detailed earnings models for the next four quarters.

These stocks are considered "core" positions. TDAM may increase or decrease "core" positions in the short term based on TDAM's perceived near-term value of the position. The analysis above is an example, and not every investment idea may go through each step outlined above.

While many of TDAM's core ideas come from the research process and The Great 8, occasionally TDAM may uncover and take advantage of investment opportunities outside of The Great 8 framework. TDAM refers to these as "event driven trading positions."

Since TDAM is very proactive in its approach, trading in these accounts can have a much higher activity level than a "buy and hold" approach. This increased activity will cause increased costs for clients in terms of tax considerations and brokerage expenses. This active investing in certain positions can best be described as an investment strategy involving ongoing buying and selling actions, with continuous monitoring to exploit profitable conditions.

Features, Risks, Disclosures and Other Important Information

General Investment Risks: Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

Our strategies and investments can have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Each type of security has its own unique set of risks associated with it, and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it. Depending on the strategy, program, or service you choose, the following material risks will apply to your account:

Market Risk: Overall equity and fixed income securities market risks affect the value of a client's portfolio. Factors such as domestic and international economic growth and market conditions, interest rate levels, and political events affect the securities markets.

Active or Frequent Trading Risk Disclosure: Certain TDAM accounts utilize a strategy whereby the Portfolio Manager engages in frequent and/or intraday trading of portfolio securities to achieve the aggressive growth and tactical trading investment goal. This activity can be used to attempt to either achieve short-term gain or protect the portfolio from loss, as in where stop-loss orders are triggered when

a certain security falls by a certain parameter. Active trading typically will result in portfolio turnover (total value of purchases annually divided by average account value) that is very high and correspondingly greater transaction cost, which will be borne directly by the client. In some cases, portfolio turnover will exceed 600% and the cost-to-equity ratio (total annual fees divided by average account value) will exceed 10%. In addition, because the strategy requires the Portfolio Manager to be more price sensitive than time sensitive (i.e., may sell securities when they reach a certain price point regardless of the time held, based on, but not limited to valuation, technical levels, news, research calls or market conditions and also may sell as a stop-loss point is reached, or may sell to protect the overall portfolio from market risk), active trading typically will have tax consequences for certain types of accounts, creating a possible increase in short-term capital gains or losses. During periods of increased market volatility, active trading will be significantly more pronounced as the Portfolio Manager will attempt to take advantage of any opportunities the volatility may present as well as attempt to protect the overall portfolio with stop-loss orders. During periods where the Portfolio Manager determines that the market conditions are not conducive to attempt to achieve the investment strategy goal and believes the risk of potential loss is too great, the Portfolio Manager may hold few, if any, securities in the portfolio until such conditions change. This could result in the portfolio having significant amounts of cash for a period, until the Portfolio Manager determines that the market conditions are again conducive to deploy capital toward the investment strategy. We believe our aggressive growth and tactical trading strategy, which employs frequent or active trading, can improve the risk profile of the portfolio by seeking many small gains, attempting to limit losses through stop-loss points, and seeking to reduce the damage caused by any one adverse trade or large position.

Small-Cap Securities: The prices of small-capitalization and micro-cap securities generally are more volatile and their markets less liquid relative to larger-cap securities. Therefore, our investment strategy will involve considerably more risk of loss and its returns may differ significantly from other investments, including mutual funds, investing in larger-cap companies or other asset classes.

Smaller companies offer investment opportunities and additional risks. They may not be well known to the investing public, may not be significantly owned by institutional investors and may not have steady earnings growth. In addition, the securities of such companies typically are more volatile in price, have wider spreads between their bid and ask prices, and have significantly lower trading volumes than the securities of larger capitalization companies. As a result, the purchase or sale of more than a limited number of shares of the securities of a smaller company can affect its market price. TDAM may need a considerable amount of time to purchase or sell its positions in these securities.

Small-cap stocks often are followed by few, if any, securities analysts, and there tends to be less publicly available information about them. Their securities generally have limited trading volumes and are subject to abrupt or erratic market price movements. Such companies also may have limited markets, financial resources, or product lines, may lack management depth and may be more vulnerable to adverse business or market developments. These conditions, which create greater opportunities to find securities trading well below our estimate of the company's current worth, also involve increased risk.

Customers' accounts are dependent on TDAM for their success, and TDAM in turn relies on both its research methodology and the account's Portfolio Manager(s). To the extent that the market for small and micro-cap securities does not reward those factors utilized by our research methodology, the performance of the account will be negatively affected. In addition, TDAM's estimate of a company's current worth may prove to be inaccurate, or this estimate may not be recognized by other investors, which could lead to portfolio losses.

Although TDAM's approach to security selection seeks to reduce downside risk by seeking out value, especially during periods of broad smaller-company stock market declines, it also may potentially have the effect of limiting gains in strong smaller-company up markets.

Concentration Risk: Our investment process may result in portfolios that are overweighted in certain issuers, industry sectors, or industry groups. The concentration level in a single issuer could exceed 20%

of the portfolio, especially in smaller accounts. As with any concentrated portfolios, these portfolios will be subject to greater volatility and risk with respect to the securities in the portfolios than more diversified portfolios. Concentrated portfolios will be more susceptible to loss due to adverse occurrences affecting a particular issuer, industry, or asset class.

Fixed Income Risks: Portfolios that invest in fixed income securities are subject to several general risks, including interest rate risk, credit risk, and market risk, which could reduce the yield that an investor receives from his or her portfolio. These risks occur from fluctuations in interest rates, a change to an issuer's individual situation or industry, or events in the financial markets.

High-Yield Debt: High-yield debt is issued by companies or municipalities that do not qualify for "investment grade" ratings by one or more rating agencies. The below investment grade designation is based on the rating agency's opinion of an issuer that it has a greater risk to repay both principal and interest and a greater risk of default than those issuers rated investment grade. High yield debt carries greater risk than investment grade debt. There is the risk that the potential deterioration of an issuer's financial health and subsequent downgrade in its rating will result in a decline in market value or default. Because of the potential inability of an issuer to make interest and principal payments, an investor may receive back less than originally invested. There is also the risk that the bond's market value will decline as interest rates rise and that an investor will not be able to liquidate a bond before maturity.

Foreign Stocks: While not common, we may occasionally invest in foreign securities, which involves risks that may not be encountered in U.S. investments, including adverse political, social, economic, or other developments that are unique to a region or country. Prices of foreign securities may, at times, move in a different direction and/or be more volatile than those of U.S. securities. Because we do not intend to hedge our foreign currency exposure, the U.S. dollar value of an investment may be harmed by declines in the value of foreign currencies in relation to the U.S. dollar.

Options Risks: An option holder runs the risk of losing the entire amount paid for the option in a relatively short period of time. This risk reflects the nature of an option as a wasting asset, which becomes worthless when it expires. Option holders who neither sell the option in the secondary market nor exercise it prior to its expiration will necessarily lose their entire investment in the option. An option writer may be assigned an exercise at any time during the period the option is exercisable. Starting with the day it is purchased, an American-style option is subject to being exercised by the option holder at any time until the option expires. This means that the option writer is subject to being assigned an exercise at any time after they have written the option until the option expires or until they have closed out their option position in a closing transaction. By contrast, the writer of a European-style or capped option is subject to assignment only when the option is exercisable or, in the case of a capped option, when the automatic exercise value of the underlying interest hits the cap price. For more information regarding the risks of options, please read the "Characteristics and Risks of Standardized Options" brochure, which can be found at <https://www.theocc.com/about/publications/character-risks.jsp>.

Exchange Traded Fund ("ETF") and Mutual Fund Risk: ETFs and mutual funds are subject to investment advisory and other expenses, which will be indirectly paid by clients. As a result, the cost of our investment strategies will be higher than the cost of investing directly in ETFs or mutual funds, as there are two levels of fees. ETFs and mutual funds are subject to specific risks, depending on the nature of the fund.

ETFs are professionally managed pooled vehicles that invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. ETF managers trade fund investments in accordance with fund investment objectives. ETF risk can be significantly increased for funds concentrated in a particular sector of the market, or those that invest primarily in small-cap or speculative companies, use leverage (i.e., borrow money) to a significant degree, or concentrate in a particular type of security (i.e., equities), rather than balancing the fund with different types of securities.

ETFs can be bought and sold throughout the day like stocks, and their price can fluctuate throughout the day. During times of extreme market volatility, ETF pricing may lag versus the actual underlying asset

values. This lag usually resolves itself in a short period of time (usually less than one day); however, there is no guarantee this relationship will always occur. In addition, ETFs may be invested on passive or tactical basis as agreed to between the IAR and the client. It is important to note that there is more aggressive trading and therefore more volatility with tactical strategies than passive strategies. For tactical strategies, the client should be able to bear greater trading expenses and fluctuation in portfolio values.

Interest Rate Risk: This is the risk that fixed income securities will decline in value because of an increase in interest rates; a bond or a fixed income fund with a longer duration will be more sensitive to changes in interest rates than a bond or bond fund with a shorter duration.

Credit Risk: This is the risk that an investor could lose money if the issuer or guarantor of a fixed income security is unable or unwilling to meet its financial obligations.

Liquidity Risk: TDAM may invest in stocks in emerging companies not widely followed by Wall Street (micro-cap and OTC securities), which may not be as liquid as larger capitalization stocks and therefore can be considered riskier; therefore, clients should be willing to accept a higher-than-normal risk. TDAM utilizes wide latitude in its stock selection, when searching for undervalued companies. This allows multiple opportunities to take advantage of market inefficiencies. In some micro-cap securities in which we invest, there could be times (due to liquidity or price movement) during which we may be unable to place or sell a given stock in all of the client portfolios. This can and will result in some conflicts at times regarding the allocation process. Please see [Item 12](#) for the firm's allocation process.

Shorting, Margin, and Use of Leverage: TDAM, with client consent, may open client accounts as margin accounts and if we elect to use margin, such use can magnify risk to client accounts. Use of margin should be discussed with your Investment Advisor Representative ("IAR"). Clients wishing to use margin are required to complete a Margin Agreement. Other forms of leverage TDAM may use include options, short sales, and other inverse or leveraged derivative instruments. TDAM also has the ability to short stocks in client portfolios; a high level of risk is associated with this strategy. Shorting securities requires the use of margin. TDAM believes shorting provides additional opportunities to make money for margin-approved clients if TDAM believes a stock is overvalued. In rare circumstances, structured products may be offered to certain clients. These products often involve a significant amount of risk and should be offered only to clients who have carefully read and considered the products' offering documents, as they are often based on derivatives. Structured products are intended to be "buy and hold" investments and are not liquid instruments.

Cash Levels: From time to time there may be large cash balances in the client accounts, which earn interest at the prevailing money market rates (taxable or tax-free). If TDAM believes it is in the best interest of a client, TDAM has the ability to go to 100% cash in the portfolio, which has risk of return associated with being out of the market.

Variable Annuities: If clients purchase a variable annuity that is part of any program, clients will receive a prospectus and should rely solely on the disclosure contained in the prospectus with respect to the terms and conditions of the variable annuity. Clients should also be aware that certain riders purchased with a variable annuity may limit the investment options and the ability to manage the subaccounts.

Private Funds and Managed Futures: Private and managed futures funds may be purchased by clients who meet certain qualification standards. Investing in these funds involves additional risks including, but not limited to, the risk of investment loss due to the use of leveraging and other speculative investment practices and the lack of liquidity and performance volatility. In addition, these funds are not required to provide periodic pricing or valuation information to investors and may involve complex tax structures and delays in distributing important tax information. Clients should be aware that these funds are not liquid as there is no secondary trading market available. At the absolute discretion of the issuer of the fund, there may be certain repurchase offers made from time to time. However, there is no guarantee that clients will be able to redeem the fund during the repurchase offer.

Employee Participation: For Seven Hills, TDAM is looking for stocks where there is significant management ownership of the stock. Following this principle, many times the Portfolio Manager and employees of TDAM may invest alongside the clients in the same stocks. This could be perceived as a conflict of interest, but TDAM believes in “putting our money where our mouth is,” and we believe this makes TDAM more sensitive to the needs of the clients. TDAM also has systems in place so clients are not disadvantaged as to price execution.

Style Differences: While TDAM follows a similar philosophy to investing, the individual investing styles of each Portfolio Manager may differ. An individual Portfolio Manager may focus more on event-driven trading positions than core positions; or focus more on emerging, smaller-cap issues than larger-cap issues; or hold differing levels of cash; or hold a large number of smaller positions in an account, or fewer more concentrated holdings that may exceed 25%, particularly in smaller accounts as well as other style differences. These style differences may result in different performance between Portfolio Managers.

Performance Differences: TDAM believes in managing its SMAs on an individual basis rather than “one size fits all” model portfolios. Investment decisions are based on the client’s objectives, risk tolerances, conversations with the client, as well as other factors. The composition of individual client portfolios (and thus performance and security allocation) will vary based on the above factors as well as the client’s input on investment levels and individual positions, client willingness to use margin or options, availability of certain investments, size of the account, cash availability at the time of an investment opportunity, tax considerations, client preferences on activity levels, as well as other factors. Clients are encouraged to discuss their preferences and goals in depth with their advisor.

System Failures and Reliance on Technology: TDAM’s investment strategies, operations, research, communications, risk management, and back-office systems rely on technology, including hardware, software, telecommunications, internet-based platforms, and other electronic systems. Additionally, parts of the technology used are provided by third parties and are, therefore, beyond our direct control. We seek to ensure adequate backups of hardware, software, telecommunications, Internet-based platforms, and other electronic systems, when possible, but there is no guarantee that our efforts will be successful. In addition, natural disasters, power interruptions and other events may cause system failures, which will require the use of backup systems (both on- and off-site). Backup systems may not operate as well as the systems that they back up and may fail to properly operate, especially when used for an extended period. To reduce the impact a system failure may have, we continually evaluate our backup and disaster recovery systems and perform periodic checks on the backup systems’ conditions and operations. Despite our monitoring, hardware, telecommunications, or other electronic systems malfunctions may be unavoidable and may result in consequences such as the inability to trade for or monitor client accounts and portfolios. If such circumstances arise, the Firm will consider appropriate measures for clients.

Cybersecurity: A portfolio is susceptible to operational and information security risks due to the increased use of the Internet. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyberattacks include, but are not limited to, infection by computer viruses or other malicious software code, gaining unauthorized access to systems, networks, or devices through “hacking” or other means for the purpose of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cybersecurity failures or breaches by third-party service providers may cause disruptions impact the business operations of service providers and TDAM, potentially resulting in financial losses, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement, or other compensation costs, and/or additional compliance costs. While TDAM has established business continuity plans and risk management systems designed prevent or reduce the impact of such cyberattacks, there are inherent limitations in such plans and systems due in part to the ever-changing nature of technology and cyberattack tactics.

Pandemic Risks: The outbreak of the novel coronavirus rapidly became a pandemic and has resulted in disruptions to the economies of many nations, individual companies, and the markets in general, the impact of which cannot necessarily be foreseen at the present time. This has created closed borders,

quarantines, supply chain disruptions and general anxiety, negatively impacting global markets in an unforeseeable manner. The impact of the novel coronavirus and other such future infectious diseases in certain regions or countries may be greater or less due to the nature or level of their public health response or due to other factors. Health crises caused by the recent coronavirus outbreak or future infectious diseases may exacerbate other pre-existing political, social, and economic risks in certain countries. The impact of such health crises may be quick, severe and of unknowable duration. This pandemic and other epidemics and pandemics that may arise in the future could result in continued volatility in the financial markets and could have a negative impact on investment performance.

The above list of risk factors is not intended to be a complete list or explanation of the risks involved in each of our investment strategies. You are encouraged to consult your financial advisor, legal counsel, and tax professional on an initial and continuous basis in connection with selecting and engaging in the services provided by us. In addition, due to the dynamic nature of investments and markets, strategies may be subject to additional and different risk factors not discussed above.

For additional disclosures regarding Seven Hills, please see the Private Offering Memorandum.

Item 9 – Disciplinary Information

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of TDAM or the integrity of TDAM's management. TDAM has no history of material disciplinary action.

Item 10 – Other Financial Industry Activities and Affiliations

Neither TDAM nor any of our management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

TD&Co. is dually registered as a Broker-Dealer and Registered Investment Advisor. Associated persons of TDAM also may be licensed as registered representatives of TD&Co. and receive commissions based on transactions effected through the Firm. Also, some IARs are registered to sell fixed annuity/insurance products and typically receive compensation for doing so. Clients are under no obligation to purchase insurance products through any particular insurance agency or representative.

Employees of TDAM were involved with the formation of Seven Hills created for private investment purposes, and Seven Hills Capital Management LLC, which serves as the GP for the LP. TDAM has been appointed by the GP to serve as the Portfolio Manager of Seven Hills. The GP is controlled by William D. Davis, Jr., the Fund's Portfolio Manager, who is also an employee of TDAM. Due to the relationship between the Fund, TDAM and the GP, a conflict of interest exists that can cause personnel of these entities to suggest investments in either the Fund or SMAs over other investment alternatives. This conflict of interest also could lead an advisor to suggest switching assets from an SMA to the Fund, or vice versa, if the advisor perceives a higher level of compensation will result from the other investment. Interests in the Fund will not be registered under the U.S. Securities Act of 1933 ("Securities Act") or the securities laws of any state or other jurisdiction. Interests will be offered and sold in the United States to sophisticated investors under the exemptions provided by Section 4(2) of the Securities Act and Regulation D. The Fund will not be registered under the Investment Company Act of 1940 in reliance upon the exemption provided by Section 3(c) (1) of that Act.

The day-to-day investment decisions for Seven Hills will be made by Portfolio Managers that may include the same employees primarily responsible for managing certain individual SMAs. The Portfolio Managers may follow similar or different investment strategies for the Fund as they follow for other client portfolios.

While Portfolio Managers will use their best efforts to provide the Fund and other client portfolios with suitable investment opportunities, it is possible that Portfolio Managers might not present the Fund and

other client portfolios with the same investment opportunities that come to their attention, even if such opportunities are consistent with the Fund's and other clients' investment objectives. Portfolio Managers will use their best judgment and specific knowledge of the Fund and client accounts when determining which securities to recommend or invest in specific instances.

Because Portfolio Managers manage multiple accounts for different groups of clients, it is possible that some clients could be placed at a disadvantage with respect to the timing of trading decisions and/or the price of securities. Moreover, as described in [Item 6](#), it is perceived that there is an incentive to favor a performance account over other client portfolios because the performance accounts may pay a performance-based incentive fee to TDAM. However, TDAM believes that such conflict of interest is limited because the investment objectives and strategies of the Fund are different from that of many client portfolios, and TDAM has developed policies and procedures to monitor the fair allocation of investments between all accounts. Nevertheless, TDAM and the Portfolio Managers will attempt to resolve any conflicts of interest in a manner consistent with TDAM's fiduciary duties.

The Chief Compliance Officer (CCO) or designee will review all transactions of related persons of the company to ensure no conflicts exist with client executions.

Mutual Funds

In some instances, we could recommend a specific mutual fund to you and receive compensation from that fund for your investment. This represents a conflict of interest as an advisor has a financial interest in recommending a particular fund. We monitor the recommendations our advisors make on a daily basis and utilize a third-party automated system, which flags transactions based on preset criteria (please see [Item 14](#) for additional conflict information).

Item 11 – Code of Ethics, Policies, and Procedures

In furtherance of the commitment of TDAM to full compliance with its responsibilities under the federal securities laws, TDAM has adopted the following Code of Ethics, Policies, and Procedures:

1. TDAM has appointed a CCO for purposes of administering and overseeing compliance with its Code of Ethics, Policies, and Procedures. TDAM's CCO also serves as the resource for giving guidance and answering questions about the code of ethics, policies, and procedures.
2. All of TDAM's owners, directors, officers, and employees, upon commencing employment or service with TDAM, and each year thereafter, are required to read this Code of Ethics, and attest to their understanding of the Code of Ethics. Attestations of the directors, officers, and employees are retained in the personnel compliance files.
3. In addition, the CCO or designee, in the exercise of his or her best judgment, has the authority to establish a continuing education program to highlight the different types of conflicts of interest that may be present in particular situations, as well as give guidance to owners, officers, and employees as to what types of information present potential for abuse. This program will advise TDAM's personnel as to recent developments or revised requirements through avenues such as email memoranda and meetings.
4. TDAM recognizes that at times its owners, officers, or employees can come into possession, or be deemed in possession, of material non-public information about the corporations and other entities (hereinafter, the "Subject Corporations") that it researches, or about which TDAM may provide investment advice to clients. TDAM recognizes that all material information regarding the subject corporations must be disclosed to the public, if at all, by the subject corporations in accordance with applicable legal and regulatory requirements. It is the policy of TDAM that all material information that has not been publicly disseminated shall be distributed within TDAM only on a strict "need to know" basis, and no owner, officer, or employee of TDAM shall be permitted to disclose such information on a selective basis, or to use such information to his or her personal advantage or for

the benefit of others. In addition, TDAM's owners, officers, and employees shall promptly notify the CCO of the names of any subject corporation for which they come into possession of material non-public information.

5. Owners, officers, and employees of TDAM, while in possession of material non-public information, may not (i) buy, sell, exchange, or otherwise trade in the subject corporation's securities, in securities convertible into the subject corporation's securities or in put or call options on the subject corporation's securities or (ii) disclose such information to anyone not authorized to receive the information. Similarly, owners, officers, and employees of TDAM, while in possession of material non-public information, may not advise its advisory clients to, or execute transactions on behalf of clients for which it holds discretionary trading authority to, buy, sell, exchange, or otherwise trade in the subject corporation's securities, in securities convertible into the subject corporation's securities or in put or call options on the subject corporation's securities. If there is any doubt as to whether the information is material and/or non-public, clarification and guidance, TDAM's policies require that guidance be sought from TDAM's CCO.
6. All of TDAM's owners, officers, and employees, upon commencing employment or service with TDAM and thereafter, shall notify TDAM's CCO in writing of any public companies in which he or she is or becomes a director, officer, or 10% shareholder. TDAM's owners, officers, and employees are required to promptly notify the CCO of any changes in such status.
7. Any TDAM employee who learns that material non-public information has been selectively communicated to an unauthorized person is required to immediately notify the CCO.
8. If material non-public information is to be given to consultants or other individuals who are not employees of TDAM, the CCO, at his or her discretion, may require some form of written acknowledgment of the confidentiality of the disclosed material and/or that a confidentiality agreement be executed between the concerned parties.
9. TDAM's CCO, or designee, shall investigate all cases where he or she becomes aware that material non-public information may have been misused. Such investigation shall document the relevant details of the event, including without limitation, the name of the security, the personnel and accounts involved, the date the investigation commenced, and its disposition.
10. It is TDAM's policy that all of its owners, officers and employees comply fully with all insider trading laws and regulations. Violations (whether inadvertent or intentional) will not be tolerated by TDAM and could result in severe disciplinary action being taken against the owner, officer, or employee.

A copy of TDAM's Code of Ethics is available upon request.

Personal Trading

Under the Code, TDAM's personnel are required to conduct their personal investment activities in a manner that TDAM believes is not detrimental to its advisory clients. As discussed above, TDAM personnel must conduct all personal trading in such a manner as to avoid any conflicts of interest or any abuse of their position of trust and responsibility.

TDAM and/or its employees can buy, sell, or hold securities that it also recommends to clients, subject to the requirements of its internal policies and procedures. TDAM's policies are based on the principle that TDAM and its employees have a fiduciary duty to place the interests of clients ahead of their own interests. To the extent not prohibited by its policies, TDAM and/or its employees can hold, acquire, increase, decrease, or dispose of securities or other interests at or about the same time that TDAM is purchasing or selling the same securities or interests for an advisory account. TDAM may manage discretionary accounts on behalf of its owners, employees, and family members.

TDAM and/or its employees can buy, sell, or hold securities that it also recommends to clients, subject to the requirements of its internal policies and procedures. TDAM's policies are based on the principle that TDAM and its employees have a fiduciary duty to place the interests of clients ahead of their own

interests. To the extent not prohibited by its policies, TDAM and/or its employees can hold, acquire, increase, decrease, or dispose of securities or other interests at or about the same time that TDAM is purchasing or selling the same securities or interests for an advisory account. TDAM may manage discretionary accounts on behalf of its owners, employees, and family members.

TDAM has created and implemented internal controls to monitor client account activity and proper allocation of investment opportunities, based on each client's stated investment objectives and risk tolerance, to address these conflicts.

Participation or Interest in Client Transactions

Principal and Cross Transactions: On occasion, TDAM will act as principal in a securities transaction with a client. However, TDAM will not act as principal in a transaction without providing written disclosure to the client, as specified in Section 206(3) of the Advisers Act, in which TDAM is acting before completion of the transaction and obtaining client consent to each transaction. A client is deemed to have granted consent if notification of each transaction is made and client fails to notify TDAM of client's denial of consent before the completion of the transaction. TDAM will enter into such transactions only to the extent consistent with its duty to obtain best execution for the client and with appropriate client consent. Clients may revoke consent to engage in such transactions at any time by notifying us in writing.

There are potential conflicts of interest and regulatory issues relating to these transactions that could limit TDAM's decision to engage in these transactions for accounts. Principal transactions create the potential for advisors to engage in self-dealing. When an advisor engages in an agency transaction on behalf of a client, it is primarily the incentive to earn additional compensation that creates the advisor's conflict of interest. TDAM has developed policies and procedures that address such conflicts of interest, and any principal transaction will be effected in accordance with fiduciary requirements, applicable law, and internal policy.

In addition to principal transactions above, TDAM, with appropriate disclosure and the client's written consent, can effect agency cross transactions for a client in which it acts as broker for both that client and the other party to the transaction and earn a transaction fee on the trade from that other party. Also, as stated above, TDAM will do so only to the extent consistent with its duty to obtain best execution for the client and with appropriate client consent, as specified in Section 206(3) of the Advisers Act. Client is deemed to have granted consent if notification of each transaction is made and client fails to notify TDAM of client's denial of consent before the completion of the transaction. Clients may revoke consent to engage in such transactions at any time by written notice to TDAM.

Financial Interest in Recommendations: TDAM receives its advisory compensation through one or more of the following methods: transaction fees, management fees, and/or performance fees. TD&Co. is also registered with FINRA and various regulatory agencies to provide services as a broker-dealer. IARs of TDAM, in their capacity as Registered Representatives of TD&Co., typically will recommend the Firm's broker-dealer services to clients who have or are utilizing TDAM's advisory services. Clients are free to implement advisory recommendations through any firm. Clients are under no obligation to purchase or sell securities through TD&Co. However, if they choose to do so, commissions can be earned that may be higher or lower than commission rates found at other broker-dealers. In this capacity, TD&Co. is compensated with fees and/or commissions. Notwithstanding such additional compensation, however, TD&Co. believes that the overall level of services and support provided to clients by the Firm outweighs the potentially lower transaction cost available under other brokerage arrangements.

In some instances, TDAM or its associated persons typically will recommend to clients the purchase or sale of investment products in which it or related persons receive some financial interest, including, but not limited to, the receipt of compensation. As stated previously, the GP of Seven Hills appointed TDAM as the investment advisor. The GP is controlled by William D. Davis, Jr., the Fund's Portfolio Manager, who is also an employee of TDAM. Therefore, TDAM or its associated persons have a financial interest, including, but not limited to, the receipt of compensation.

Because the advisory fees payable to the Portfolio Manager or the referral fee payable to a TDAM investment executive, by either the SMAs or the partnership, can exceed any commissions paid in standard broker-dealer accounts, the investment executive/Portfolio Manager might be viewed as having an incentive to switch broker-dealer client assets to an advisory relationship in either a SMA or Seven Hills.

TDAM also may participate in new issues or underwritings (including offerings in which TD&Co. is part of the “selling group”) when it is deemed to be in the client’s best interest. You may withdraw your consent to this type of transaction at any time by notifying us in writing.

Trade Errors

Any trading made by mistake or incorrectly placed by a Portfolio Manager that results in a loss in value of the client’s investments will be reversed and TDAM will be responsible for the loss; however, TDAM shall not be responsible for any gains that the client may have obtained had TDAM originally placed the correct order. TDAM will take steps necessary to minimize trade errors and, if a pattern of errors is discovered, TDAM will make any reasonable revisions to its policies necessary to avoid such trade errors in the future.

A trade error generally is an error in the placement, execution, or settlement of a transaction, not an intentional or reckless act of misconduct; in addition, a good-faith error in an investment recommendation or decision for a client does not represent a trade error. Another way TDAM will define a trade error is the gain or loss generated in order to correct one of the following situations, including but not limited to:

- Overbuying or overselling of securities into or out of a client account, caused by clerical errors made by personnel of TDAM or the broker-dealer.
- Buying or selling of unintended securities into, or out of, a client account, caused by clerical errors made by personnel of TDAM or the broker-dealer.
- Erroneously executing buy transactions as sales or vice versa, caused by clerical errors made by personnel of TDAM or the broker-dealer.
- Buying or selling securities, into or out of a client account, that is inconsistent with a client’s written investment guidelines or restrictions.

Trade errors will not include (i) intentional or reckless acts of misconduct or (ii) good-faith errors in judgment in making investment decisions for clients, but they can include innocent errors and negligent acts. As part of a standard examination of an investment advisor, examiners will review trade errors to determine if clients were in any way disadvantaged in the process and if errors were resolved in a timely fashion.

The trading area will review all trade errors and will maintain records that reflect the resolution of trade errors to evidence that customers were not charged losses as a result of the error. The CCO or designee will also be responsible for reviewing the trade error file on at least a monthly basis.

- Errors found prior to settlement will be cancelled and re-billed to the Firm error account and covered.
- Errors discovered after settlement will require CCO approval prior to processing through the Firm error account.
- If TDAM is at fault for the error, the error will be settled out of TDAM’s own account, not using client brokerage or funds, in order to place the client in such a position as if the error never occurred (“making the client whole”).
- If the broker-dealer is at fault for the error, broker-dealer is responsible for making the client whole.

The CCO or designee will evidence review of the correction of trade errors for consistency, timeliness of resolution, and to identify patterns of losses; any material findings will be documented, including any recommendations for changes to TDAM brokerage arrangements and/or order routing practices.

Item 12 – Brokerage Practices

Brokerage Selection and Best Execution

As described previously, TD&Co. is also registered with FINRA and various regulatory agencies to provide services as a broker-dealer. The principals of TD&Co., in their capacity as IARs of TDAM and the GP of the Fund, are likely to recommend and arrange for custodial and transaction services through Pershing, as a convenience for the Fund and the Firm. The Fund is free to implement advisory recommendations through any firm and is under no obligation to purchase or sell securities through TD&Co. However, at this time, the Fund has chosen to do so, and commissions may be earned which may be higher or lower than commission rates found at other broker-dealers. Our firm derives operational efficiencies from electronic data transmittal and other account servicing benefits as a result of the arrangement. Accordingly, we have a conflict in recommending Pershing as the clearing firm for client transactions, and it could result in higher transaction costs compared to other custodians. However, it can also result in lower transaction costs, as it enables us to aggregate trades and receive economies of scale benefits. In this capacity, TD&Co. may be compensated with fees and/or commissions. Notwithstanding such additional compensation, TD&Co. believes that the overall level of services and support provided to clients by the Firm outweighs the potentially lower transaction cost available under other brokerage arrangements.

The brokerage commissions and/or transaction fees charged by TD&Co. or Pershing are exclusive of, and in addition to, our advisory fees. Factors which we consider in recommending Pershing or any other broker-dealer include respective financial strength, reputation, execution, pricing, and service. The commissions paid by our clients shall comply with our duty to provide “best execution;” however, a client may pay a higher commission than another qualified broker-dealer might charge to effect the same transaction in relation to the services provided. In defining best execution, the determining factor is not necessarily the lowest possible cost, but whether the transaction represents the best qualitative execution taking into consideration all services received.

In addition, in order to help achieve best execution and maintain liquidity, TDAM utilizes certain trading systems’ algorithms to assist in the trading process. These trading systems offer cash credits for orders that provide liquidity to their books and charge explicit fees for orders that extract liquidity from their books. From time to time, the amount of credits that TDAM receives from one or more trading system may exceed the amount that is charged. Under these circumstances, such payments would constitute payment for order flow. This arrangement presents a potential conflict of interest as TDAM can receive compensation for utilizing certain trading venues. However, this arrangement is not based on a specific amount of order flow, and TDAM is unaware of which orders may be eligible for remuneration. In addition, TDAM has best execution policies and procedures in place to help mitigate this conflict and to help ensure that each transaction received overall execution quality.

Soft Dollars

When appropriate under its discretionary authority and consistent with its duty to obtain best execution, TDAM directs brokerage transactions for client accounts to broker-dealers who provide TDAM with research and brokerage services. The brokerage commissions used to acquire these services are known as “soft dollars.” Section 28(e) of the Securities and Exchange Act of 1934, and related SEC interpretive materials, provides a “safe harbor” that allows TDAM to pay for research and brokerage services with soft dollars generated by client account transactions. Section 28(e) permits TDAM, under certain circumstances, to cause client accounts to pay brokers and dealers a commission for effecting portfolio transactions in excess of the commission another broker or dealer would have charged to effect such transactions.

Broker-dealers typically provide a bundle of services, including research and execution. The services provided can be either proprietary (created and provided by the broker-dealer, including tangible research products as well as access to analysts and traders) or third party (created by a third party but provided by the broker-dealer). TDAM may use soft dollars to acquire either type. TDAM has engaged in limited soft dollar activities in order to access research products offered directly by the broker. Generally, it is not possible to place a dollar value on the special executions or on the research services TDAM receives from broker-dealers effecting transactions in portfolio securities. Accordingly, TDAM may pay broker-dealers commissions for effecting clients' portfolio transactions in excess of amounts other broker-dealers would have charged for effecting similar transactions provided that TDAM determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, when viewed either in terms of a particular transaction or TDAM's overall duty to its discretionary accounts. In the past TDAM has had a soft dollar arrangement with Bloomberg Tradebook, whereby a portion of the execution fee charged by that firm reduces the fees associated with maintaining Bloomberg terminals at TDAM.

In determining whether a service or product qualifies as research or brokerage, TDAM must evaluate whether the service or product provides lawful and appropriate assistance to it in carrying out its investment decision-making responsibilities. Brokerage and research services that can be provided under Section 28(e) include: (1) furnishing advice as to the value of securities, the advisability of investing in, purchasing, or selling securities, and the availability of securities or purchasers or sellers of securities; (2) furnishing analyses and reports and sponsoring seminars or conferences concerning industries, issuers, securities, economic factors and trends, portfolio strategy, and the performance of accounts; and (3) effecting securities transactions and performing functions incidental thereto (such as clearance, settlement, and custody). Examples of services for which TDAM pays with client commissions include certain market publications and commentaries, research and data reports, economic forecasts, Bloomberg, and similar 28(e) permitted services.

The receipt of research in exchange for soft dollars benefits TDAM by allowing TDAM, at no cost to it, to supplement its own research and analysis activities. In other words, when TDAM uses client commissions (i.e., soft dollars) to obtain these services or products, TDAM receives a benefit because we do not have to pay for the services. This creates a conflict of interest, which TDAM recognizes. This provides an incentive for TDAM to select or recommend a broker-dealer based on our interest in receiving certain products or services, rather than your interest in receiving most favorable execution. TDAM limits its use of soft dollars to only those services which are within the safe harbor. Moreover, any research services received by TDAM are in addition to, and not in lieu of, services required to be performed by TDAM under its investment management agreements.

Additionally, TDAM may receive "mixed use" services, or those that can be used for both research and "non-research purposes," such as Firm administration or marketing. In such cases, TDAM has a conflict of interest in allocating the costs of such services between those that primarily benefit TDAM and those that primarily benefit its clients and determining which portion may be paid for with soft dollars. TDAM makes a good-faith allocation of the relative proportion of the cost of such services used for non-research purposes and pays for such proportion from its own funds.

Furthermore, TDAM receives from Pershing, without cost to TDAM, computer software and related systems support, which allows TDAM to better monitor client accounts maintained at Pershing. TDAM also receives software and related support without cost because it renders investment management services to clients that maintain assets at Pershing. The software and related systems support benefit TDAM, but not all clients directly. In fulfilling its duties to its clients, TDAM endeavors at all times to put the interests of its clients first. Clients should be aware that TDAM's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits can influence TDAM's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

TDAM also receives additional benefits from Pershing, including access to client confirmations and statements; access to market data systems; financial incentives for clearing trades through Pershing;

access to block trading, which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to trading systems for client order entry and account information, as well as other benefits.

As a general matter, brokerage and research services are used to service all of TDAM's discretionary accounts. However, each and every brokerage or research service may not be used for the benefit of each and every account managed by TDAM, and brokerage commissions paid by one account may be used to pay for brokerage and research services that may not be used to service that account. TDAM does not usually attempt to allocate the relative costs or benefits or research among client accounts because it believes that, in aggregate, the research it receives benefits clients and assists TDAM in fulfilling its overall duty to its clients.

TDAM will not enter into any agreement or understanding with any broker-dealer that would obligate TDAM to direct a specific amount of brokerage transactions or commissions in return for such services. However, certain broker-dealers state in advance the amount of brokerage commissions they require for certain services and the applicable cash equivalent. In addition, TDAM does not direct brokerage for client referrals.

Investment Allocation, Aggregation, and Block Trading

With respect to purchases of securities that are part of an IPO in equity securities ("New Issue"), we seek to allocate the purchase of New Issues on a pro-rata basis among accounts for which the New Issue security is appropriate. If a New Issue allocation is too small to distribute across all suitable accounts, we will not allocate on a pro-rata basis. In determining whether to make a pro-rata allocation, we consider things such as cash availability, investment objectives and guidelines, risk profile, and other account-specific factors. From time to time, we will purchase a New Issue with the intent of selling the security the same day in order to realize a short-term profit (a "flip").

When advisors believe it is appropriate, they will aggregate the purchase or sale of securities for various client accounts. Aggregating client orders helps ensure that one client is not favored over another in terms of the timing of transactions. TDAM has an aggregated order allocation policy that applies to all clients advised by TDAM. Trades typically are allocated pro-rata and shall be allocated in a manner that TDAM believes to be fair and equitable. No client will receive preferential treatment over any other. Clients in aggregated transactions receive the same price per unit. If different prices are paid for securities in an aggregated transaction, each client in the transaction will typically receive the average price paid for the block of securities in the same aggregated transaction on that day. The officers and investment advisory personnel of TDAM will take steps to ensure that no client will be systematically disadvantaged by the aggregation, placement, or allocation of trades. If the advisor is not able to fill an aggregated transaction, it will normally allocate the filled portion of the transaction to clients on a pro rata basis. Allocations are made to the personal accounts of owners, officers, and investment advisory personnel of TDAM only when such allocations comply with this trade allocation policy and the employee trading policies and procedures of TDAM. Where a client's investment objectives are inconsistent with a particular trade, the advisor does not feel the transaction would be suitable based on his knowledge of the customer, or the client does not have sufficient cash or assets available to make a particular trade, TDAM may not allocate trades on a pro-rata basis among clients. In addition, in certain cases, transaction costs may prevent precise pro-rata allocation. The advisor has complete discretionary authority to determine whether aggregating orders would be appropriate in any given situation.

As a result of the issues identified above, TDAM has potential conflicts of interest in allocating its investments among client accounts, Seven Hills, or other proprietary accounts and in effecting transactions between client accounts and proprietary accounts where the Firm and/or its personnel have a financial interest.

Although we will attempt to allocate investment opportunities in a manner which is in the best interests of all clients' accounts, there can be no assurance that an investment opportunity which comes to our attention will be allocated to all client accounts other as certain accounts may be unable to participate in

such investment opportunity or participation in a transaction may only be available on a limited basis. In addition, there may be circumstances under which we will consider participation by other client accounts in investment opportunities in which we do not intend to invest, or intend to invest only on a limited basis, on behalf of accounts in which the Firm or its personnel hold a financial interest.

Client-Directed Brokerage

Additionally, a client can direct us, in writing, to use a particular broker-dealer. In that case, it is our expectation that the client will negotiate execution terms with the broker-dealer. Should a client request that we direct execution for brokerage transactions for their account through a broker-dealer that we believe will provide reasonable service, we shall direct transactions accordingly. In such cases, we will not seek better execution services or prices from other broker-dealers or be able to “aggregate” or “batch” orders for execution through another broker-dealer. As a result, the client may pay a higher commission or other transaction costs or greater spreads, or receive less favorable net prices, on transactions than would otherwise have been the case. Clients who request directed trades may or may not receive best execution or pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs or otherwise negotiate commissions and also may receive less favorable prices and execution. As a result, we will not provide assurances that best execution will be obtained in accounts where we are instructed to direct trades.

Transactions for these clients generally will be executed following the execution of portfolio transactions in other client accounts where we have full discretion to execute trades. In the event that we do accommodate a directed brokerage relationship, our standard operating procedure will be to place the trade with an executing broker with instructions to complete the trade through the client-directed broker.

Item 13 – Review of Accounts

Reviews and Reviewers of the Accounts

The Portfolio Managers are involved in the continuous and ongoing monitoring of the Fund account to ensure that each security or asset allocation is suitable for the account based on information given by the Fund. In addition, William D. Davis, Jr. (the “Manager”), Chief Executive Officer of the firm, shall be responsible for reviewing the Fund’s account. This review may be delegated to a designee. On a daily basis, the Manager or designee must review all trades made by TDAM for its clients. Review of such trades shall be evidenced by electronically signing the trade blotter on the day the trades were reviewed. The Manager or designee also will conduct extraordinary reviews upon the occurrence of certain events, such as unusual trading activity or performance.

Nature and Frequency of Regular Reports to Clients on their Accounts

Each limited partner will receive unaudited monthly net asset value statements and performance updates, monthly fund updates, annual audited year-end financial statements, any other information required to be provided by any governmental authority having jurisdiction over the Fund, including but not limited to, certain state securities regulatory authorities, and other information which the GP, in its discretion, deems appropriate. In some cases, a value for the limited partner’s interest in the Fund will appear on a customer’s overall Pershing account statement. This value is provided for informational purposes and may reflect a previous month’s value if the fund’s monthly reconciliation process is not completed prior to the Pershing statement cut-off date. Therefore, the statement provided by the administrator, and not any Pershing statement value, serves as the official value of the limited partner’s interest in the Fund.

Confirmations

The Fund has suppressed the mailing of separate trade confirmations for their account over which TD&Co. is exercising investment discretion. In lieu of separate trade confirmations, information from the confirmation will be reported at least quarterly via the brokerage statement to the GP. The main transactional fee (shown as “commission” on the brokerage statement) will be listed with the associated transaction, and any additional transactional fees will be found along with other important disclosures on

the statement. Transaction cost details are available upon written request. The miscellaneous fees and the Section 31 fee are not itemized in the transactions section of the statement. The “amount” of the transaction on the statement is the net transaction amount including all fees (such as the commission, Section 31 fees, etc.) associated with that transaction. The GP can obtain, upon request to the Firm and at no additional charge, information regarding any trade confirmation in the Fund’s account, and a paper or electronic copy of any trade confirmation. Upon written request, TD&Co. can make available to the GP all confirmations and statements online.

Item 14 – Client Referrals and Other Compensation

Compensation Received from a Non-Client Related to our Advisory Services

Like many securities firms, TDAM receives payment from third parties whose products we distribute, including mutual fund companies, money market funds, and insurance companies. Payments from mutual fund companies, money market fund, and insurance companies typically include sales loads, Rule 12b-1 fees, sub-transfer agent fees for maintaining customer account information and providing other administrative services for the mutual funds, shareholder account fees, and networking fees and reimbursements for education, marketing support and training-related expenses.

Cash Sweep Vehicles

The Firm has entered into a “distribution assistance” arrangement with Pershing related to the cash sweep vehicles (i.e., money market funds or FDIC-insured sweep products) used for cash management services provided through Pershing. For client assets held in cash sweep vehicles while awaiting reinvestment, Pershing pays the Firm a “distribution assistance” fee based on the average fund balance. This can range from 15 to 50 basis points (or from \$0.15 to \$0.50 for every \$100 per year, depending on the total amount of eligible assets in the fund(s)). It is important to note that this arrangement has no impact on the yield of the product. Clients should refer to the Prospectus and Statements of Additional Information for applicable products for further information regarding such payments.

The Firm has entered into these arrangements to help offset the costs of running our internal trade desk and other back-office functions, which we believe help us provide enhanced customer service.

The Firm also has access to cash sweep vehicles that do not pay a distribution assistance fee to the Firm, have no minimum initial purchase requirement, and have a potentially higher yield. Therefore, clients have the option of utilizing any FDIC-insured sweep product or a money market fund offered by our custodian to hold their cash balances. Our custodian offers more than 100 options for holding cash balances. Clients are not obligated to use a cash sweep vehicle that pays us a distribution assistance fee, and we encourage you to discuss your available options with your IAR.

It is important to note that TDAM recommends that clients choose a cash sweep product that allows the funds to be readily available for new purchases. Otherwise, if the cash is deposited into certain money market funds, we must purchase the fund, sell it, and wait for the proceeds to settle before those proceeds are available to make new purchases. The cash sweep vehicles we recommend afford your IAR greater flexibility to react to market conditions and opportunities than certain money market fund options. If you intend to hold cash positions for a greater time period, the money market fund would be the better option. We encourage you to discuss this process and your options with your IAR to determine what best fits your needs.

The distribution assistance arrangement gives rise to conflicts of interest as the Firm has an incentive to steer client assets to Pershing to generate additional revenue, rather than to products or custodians that do not provide such revenue. Your IAR will not receive any portion of this compensation. Notwithstanding this conflict, the Firm believes this arrangement does not interfere with its provision of advice to clients because of its practices and controls. The Firm periodically reviews the fees it has negotiated with Pershing against the services it receives, and the Firm’s IARs and supervisors review client accounts to ensure they are consistent with their stated needs, objectives, and financial situation.

Margin Debit Balances

Similar to the cash sweep arrangement described above, the Firm has entered into a “margin debit participation” arrangement with Pershing that allows the Firm to share in revenue from interest charged on margin balances in client accounts. Through this program, the Firm will receive a financial benefit from Pershing for the difference between the Firm’s cost of funds and the loan rate applied to margin debits. This rate can vary depending on margin rates set by the marketplace, the Pershing base lending rate, the aggregate amount of the margin debit balance, and potentially other factors. Thus, the Firm receives a portion of the margin interest charged on a client’s margin debit balance. This means the Firm can determine (mark up) the ultimate client margin debit interest schedule that clients will pay, and the interest rate could be as high as a Pershing Base Lending Rate (“PBLR”) plus 300 basis points.

As with the cash sweep arrangements, the Firm has entered into these arrangements to help offset the costs of running our internal trade desk and other back-office functions, which we believe help us provide enhanced customer service.

The margin debit participation arrangement gives rise to conflicts of interest as the Firm has an incentive to recommend margin accounts and steer client assets to Pershing to generate additional revenue, rather than to accounts (i.e., non-margin) or to custodians that do not provide such revenue. Your IAR will not receive any portion of this compensation. Notwithstanding this conflict, the Firm believes this arrangement does not interfere with its provision of advice to clients because of its practices and controls. We believe this conflict of interest is mitigated by the review of each client’s application for margin to ensure it is consistent with the client’s stated needs, objectives, and financial situation.

Other Compensation

The Firm will also receive a selling concession when purchasing new issues, or other underwritings, for accounts where TD&Co. is a selling group member. The selling concession is a separate payment made directly from the issuer to TD&Co. and is not added or related to the maximum advisory fee schedule (see [Item 5](#)) paid by the client. The individual advisor, in his capacity as a registered representative, would receive a portion of this concession.

TDAM will at times sponsor and pay for meals, outings, educational seminars, and training programs for its employees in connection with their promotion of investment advisory services. In addition, TDAM IARs will occasionally attend conferences at which exhibitors have booths. IARs may accept trinkets at conference exhibit booths as long as the trinkets are less than \$50 in value. Employees also may receive gift baskets or similar items from other professionals, as long as they are less than \$50 in value. To do otherwise would appear ungrateful.

As appropriate, TDAM IARs solicit referrals from existing clients. Although IARs do not pay specifically for client referrals, in order to build relationships with their clients, IARs may provide clients with meals, entertainment, or modest gifts. Such gifts or entertainment may be considered an indirect form of compensation for client referrals.

Solicitation Arrangements

TDAM may enter into written solicitation agreements to compensate persons either independent of TDAM or employees of TDAM (“Solicitors”) for client referrals in compliance with Rule 206(4)-3 under the Advisers Act. If a referred client establishes an investment advisory relationship with TDAM, the Solicitor will receive a referral fee of a negotiated percentage of the investment advisory fees paid by the client for the duration of the investment advisory relationship. The compensated person(s) are/will be properly registered as Solicitors when applicable. This referral fee will be paid out of the total advisory fees collected from clients. TDAM will not charge an additional fee for advisory services to pay a Solicitor. There is no difference in the advisory fee schedule for clients who have been solicited and those who have not been solicited as a result of these solicitation agreements. Clients that are referred by a Solicitor will receive a copy of the Solicitor’s written disclosure document that describes the nature of the relationship between TDAM and the Solicitor, in addition to TDAM’s Form ADV Part 2.

Item 15 – Custody

With regard to Seven Hills, TDAM is deemed to have custody of funds and securities because its related persons serve in the capacity of GP. In order to comply with the Custody Rule under the Advisers Act, TDAM has engaged a Public Company Accounting Oversight Board–registered independent public accountant to perform an annual financial audit of the Fund. The audit will be distributed to all applicable limited partners within 120 days of the Fund’s fiscal year end.

In addition, each broker/dealer, bank, or qualified custodian sends monthly, or more frequent, account statements directly to the Fund. TDAM reviews these statements carefully and compares them with its own internal records.

Item 16 – Investment Discretion

Unless otherwise instructed, TDAM has the authority to determine (i) the securities to be purchased and sold for the Fund (subject to restrictions on its activities set forth in the applicable investment management agreement, offering documents, and/or any written investment guidelines) and (ii) the amount of securities to be purchased or sold for the Fund. This discretionary authority will remain in full force and effect until the Fund terminates its relationship with TDAM.

Item 17 – Voting Client Securities

By its proxy policy, TDAM is forbidden from voting proxies for the Fund.

TDAM generally is not able to advise or act on behalf of its clients in legal proceedings, including class actions or bankruptcies, involving securities purchased or held in client accounts. Our custodian sends all legal notices directly to the owners of each account. To the extent that TDAM receives notice of class actions or bankruptcies of securities purchased or held in clients’ accounts, it will forward such notices to the client’s custodian for delivery directly to the affected client.

Item 18 – Financial Information

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about TDAM’s financial condition if we require prepayment of \$500 or more six months or more in advance, which we do not. TDAM 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.