

**Boreal Capital Management, LLC**

1450 Brickell Avenue, Suite 2900

Miami, Florida 33131

(305) 459-5400

[www.borealcmm.com](http://www.borealcmm.com)

This brochure provides information about the qualifications and business practices of Boreal Capital Management, LLC (“Boreal” or the “Adviser”). If you have any questions about the contents of this brochure, please contact John Zeno at (305) 459-5415 or by e-mail @ [john.zeno@borealcmm.com](mailto:john.zeno@borealcmm.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority. Although we are registered with the SEC, that alone is not meant to imply that we hold a specific level of skill or training.

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

**March 2021**

## ITEM 2 – MATERIAL CHANGES

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In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes, as necessary.

Currently, our Brochure may be requested by contacting John Zeno, Chief Compliance Officer, at (305) 459-5415. You may also contact us by e-mail @ [john.zeno@borealcm.com](mailto:john.zeno@borealcm.com) for a copy free of charge. Additional information about Boreal is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Boreal who are registered, or are required to be registered, as investment adviser representatives of Boreal.

We will further provide you with a new Brochure, as necessary, based on changes or new information, at any time, without charge. Since the Adviser's March 2020, the following material changes have occurred:

➤ **Item 5 – Fees and Compensation**

### ***Adviser's Basic Management Fees***

The Adviser no longer charges management fees pertaining to Funds. The Adviser only charges a management fee as it relates to client accounts.

### ***Rebates***

A number of the Adviser's IARs are also dually associated as registered representatives with our affiliate broker-dealer Boreal Capital Securities, LLC and in this capacity a limited number of IARs receive additional compensation related to advisory assets in the form of referrals fees and rebates/trailer (commonly referred to as 12b-1 fees), from mutual funds companies in which the IARs invest your money. These trailer fees are received by Boreal Capital Securities, LLC and shared in varying portions with IARs of Boral Capital Management, LLC in their registered representative capacity. The receipt of trailer fees creates a conflict of interest and material incentive for your IAR to recommend purchases of mutual funds with rebate arrangements with the Adviser and its affiliates.

### ***Cash Sweep Revenue***

Through Pershing (clearing firm), the Adviser can receive compensation from the clearing firm in connection with cash maintained in money market sweep accounts. That compensation reduces the overall return on investment that would be earned in the fund, absent such payments.

Adviser's clients have the option to elect to establish their advisory account whereby assets are maintained at various custodians (domestically and abroad). However, most advisory customers maintain their account via the Adviser's affiliate broker-dealer Boreal Securities, LLC ("Boreal Securities" or the "Firm"). When advisory clients establish an

advisory account via Boreal Securities such assets are custodied and maintained at Pershing LLC. By way of this structure advisory clients have the option to elect certain Cash Sweep Vehicles offered by Pershing, which provide a portion of ongoing revenue to Boreal Securities based on assets invested in the Cash Vehicles. Pershing's Cash Management Choice Program has a revenue-sharing component, titled Distribution Assistance that provides the Adviser with additional ongoing revenue contingent upon elected options by advisory clients. When the client elects a sweep option and establishes sweep instructions for their accounts, any free credit balance is swept into a money market fund product. This program provides clients with same-day liquidity and a way to earn income on uninvested cash in their account(s). The Pershing Sweep Program includes the capability for the Adviser to select particular money market funds to incorporate into the sweep program. The distribution assistance provided by Pershing is based on the collective average fund balances and not on any specific fund family. Neither the Adviser's IARs nor the associated persons of Boreal Securities' RRs receive compensation as a result of the payments from the Cash Sweep Vehicles. Those distributions typically stay with Boreal Securities.

The arrangement described presents a conflict of interest, as the Adviser receives compensation from the clearing firm pertaining to money market funds in client accounts. The more assets clients have in money market funds, the more a clearing firm will pay the Adviser and/or its associated broker dealer. Therefore, the Adviser has an incentive to increase such type of investments in clients' accounts. Clients should refer to the prospectuses and Statements of Additional Information of the mutual funds and money market funds in which they invest for further information.

➤ **Item 12 – Brokerage Practices**

***Cash Management/Sweep Account Payments***

The Adviser maintains an arrangement with certain clearing firms (Pershing) whereby such clearing firm pays the Adviser, or its affiliated broker dealer, compensation for cash swept into certain money market funds provided on the clearing firm's platform. Those payments are referred to as "distribution assistance."

The amount of distribution assistance (if any) depends on which money market fund is selected and the level of total assets the Adviser maintains in a given fund on the clearing firm's platform. The Adviser has no control over the amounts of distribution assistance it receives and has no ability to discern the breakdown of what goes into distribution assistance payments.

The arrangement described presents a conflict of interest, as the Adviser receives compensation from the clearing firm pertaining to money market funds in client accounts. The more assets clients have in money market funds, the more a clearing firm will pay the Adviser. Therefore, the Adviser has an incentive to increase such type of investments in clients' accounts. Clients should refer to the prospectuses and Statements of Additional Information of the mutual funds and money market funds in which they invest for further information.

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## **ITEM 4 – ADVISORY BUSINESS**

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

Boreal Capital Management, LLC ("Boreal" or the "Adviser")<sup>1</sup> is an investment manager that provides discretionary and non-discretionary investment management services to Corporations, Private Investment Companies, Individuals and other Investors. Adviser is wholly owned by Boreal Capital Holdings UA, LLC which is wholly owned by MORA BANC GRUP, SA. Adviser is a subsidiary of Morabanc, S.A. an Andorran private banking and Investment management firm. [www.morabanc.ad](http://www.morabanc.ad)

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

Adviser provides investment advisory services to Adviser's clients through various types of discretionary and non-discretionary accounts in accordance with each client's investment objectives. Investment activities focus on investments in various kinds of assets and securities in a variety of markets that is intended to fit within the client's objectives, strategies and risk profile as described by each client.

### **Customized Discretionary Portfolios**

Adviser offers a discretionary management account that is customized to each client. Accounts may focus on investments in specified and limited kinds of assets and securities, in limited markets, or they may be broad-based across many asset classes and markets. Such accounts are intended to fit within the investor's objectives, strategies and risk profile as described by each client. The strategies utilized for these customized accounts may be similar to or may vary widely from the core strategies typically utilized by the Adviser, as further described in Item 8. Clients may place targets on these accounts and may restrict the types of investments made in such accounts.

General: Investment Policy Statement & Definition; Asset Allocation Strategy; Investment Strategy & Manager Review.

Investments: Review of Current Portfolios & Proposals; Determine Modifications, Create Timeline and Implement; Suggest Reasonable Fees for Products and Services; Provide Consolidated Reporting and Analysis; Ongoing Monitoring and Re-evaluation; Define or Affirm Wealth Transfer Desires; Succession Illustration and Definition.

### **Third-Party Managers**

Based upon the stated investment objectives of the client, the Adviser may recommend to certain clients that they authorize the active discretionary management of a portion of their assets by certain investment managers that are not affiliated with Adviser. Prior to selecting a third-party manager for a client, Adviser may conduct due diligence about the manager through an independent third-party institution. Adviser shall continue to render

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<sup>1</sup> Boreal Capital Management, LLC was known as Mora Wealth Management, LLC until September 30, 2019.

services to the client and, in addition, monitor and review the performance of the third-party manager and the performance of the client's accounts that are being managed. From time to time, Adviser may also recommend affiliated investment managers to certain clients based on their investment objectives, guidelines and risk profiles

#### Portfolio Management Services

Adviser provides investment advisory services to Adviser's clients through the management of investment portfolios in accordance with the objectives and guidelines of the private investment companies as stated in each private placing memorandum or in accordance with the risk profiles of individual clients. The investment objectives, risk tolerance and financial circumstances of any funds in which clients may invest are generally described in their private placement memoranda other clients provide such information to Adviser at or before the time they enter into an advisory agreement with Adviser.

Clients but not investors may impose reasonable restrictions on the management of their accounts, including by restricting particular securities or types of investments. Clients should be aware that performance of restricted accounts may differ from performance of accounts without such impediments, possibly producing lower overall results.

#### Sub-Advisory Services

Boreal may from time-to-time act as a sub-adviser or engage the services of sub-advisers to assist or manage client portfolios and related funds. Such activities include, but are not limited to the selection and monitoring of client portfolios, as well as asset allocation and continued analysis related to the Adviser's portfolio management services. Sub-advisors' services are contracted by the Adviser. Boreal may engage its affiliates (i.e. Morabanc) or other related parties to act as a sub-adviser. In the event such activity exists Boreal notes a potential conflict of interest may exist, as well as related fees may be shared with the sub-adviser pursuant to the terms of a formalized agreement.

Adviser offers a discretionary program that utilizes Lockwood Advisors Inc.'s ("Lockwood") and their Wealth Management Programs. Lockwood is an unaffiliated investment advisory firm registered with the Securities and Exchange Commission. Lockwood provides access to individual portfolio managers ("Portfolio Managers") and investment advisory and discretionary services to financial planners, certified public accountants, broker-dealers, registered investment advisers, and other financial advisors ("Firms" or "Firm" in the singular) which, in turn, provide investment advice and consulting services to their high net worth clients and institutional clients as described in Lockwood's Form ADV Part 2.

Lockwood also provides separately managed accounts ("SMAs") in which each account has a Portfolio Manager responsible for the day-to-day investment decisions. Assets in the Programs are managed, in most cases, by independent Portfolio Managers from Lockwood or its affiliates. In addition, because Lockwood also functions as a Portfolio Manager in certain programs, Lockwood, itself, may be the underlying Portfolio Manager on some Client accounts. Lockwood is the sponsor of the wrap fee program Managed

Account Advisor (“MAA” or the “MAA Program”). In the MAA Program, your Firm provides brokerage services to you, directly selecting mutual funds and/or ETFs. The overall strategy and asset allocation for the Programs are customized to each client. Clients who participate in the Programs pay a fee, which is described in Item 5 below, to both Lockwood and to Adviser. Assets invested in the Programs are custodied with Pershing, which also provides brokerage services to the Programs. Brokerage fees for transactions in the Programs are not separately charged to clients, and third-party investment managers in the Program do not receive additional fees from Adviser’s clients. Adviser does not accept a portion of any wrap fees paid to the third-party managers. Adviser’s clients that wish to participate in the Programs receive a copy of Lockwood’s Brochure before or at the time they contract for such services. Please contact your Investment Adviser Representative or Adviser’s compliance officer for a copy of Lockwood’s Brochure and further details about the program.

### **Other Non-Discretionary Advisory Services**

Adviser provides non-discretionary advisory services to all types of clients in accordance with a non-discretionary advisory agreement between Adviser and the client. Each agreement would define the services to be provided and if a fee is charged, the fees will also be agreed to in the advisory agreement. Adviser also provides recommendations and research regarding the investment of securities and cash in a client’s account. These services are individually tailored to each client’s needs and such advice may be provided to accounts at Adviser’s affiliated broker-dealer or accounts custody with third parties.

### **Wrap Fee Programs**

Adviser does not act as a primary sponsor for any wrap fee programs. Several of Adviser’s clients do participate in wrap fee programs offered through Pershing Advisory Solutions LLC (“PAS”). Boreal is compensated via a percentage of the wrap fee charged to the client.

### **Investment Restrictions**

As described above, Adviser offers an array of services and clients can select among the services that the client and the Adviser feel are suited for the client. Clients may impose reasonable restrictions on the management of their accounts, including by restricting particular securities or types of investments. Clients should be aware that performance of restricted accounts may differ from performance of accounts without such impediments, possibly producing lower overall results.

### **Regulatory Assets Under Management**

As of December 31, 2020, Adviser managed approximately \$ 425,842,410, in assets on a discretionary basis and \$ 1,854,167,180 on a non-discretionary basis.



## ITEM 5 – FEES AND COMPENSATION

### Adviser's Basic Management Fees

The specific manner in which fees are charged by Adviser is established in each client's written agreement with Adviser. Generally and pursuant to contract, fees for the management of Accounts will be based upon a percentage of the total assets in the account (including margined assets). Adviser typically receives an annual management fee, between 1.00 to 3.00% of the net asset value of the Account. All fees are negotiable. Adviser may enter into flat fee arrangements from time to time, typically for administrative services provided to clients or client Accounts.

Basic Management Fee Schedule	
Account Value	Fee Percentage
\$100,000.00 to \$500,000.00	3.00%
\$500,000.00 to \$1,000,000.00	2.50%
\$1,000,000.00 to \$2,000,000.00	2.00%
\$2,000,000.00 to \$4,000,000.00	1.75%
\$4,000,000.00 to \$10,000,000.00	1.50%
\$10,000,000.00 to over	1.00%

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

### Fee Schedule for Lockwood Services

Adviser generally charges a fee for the Program of between 0.5% and 2% based on assets under management. Fees are individually negotiated with each client. In addition to a client's agreement with Adviser, a client participating in the Program enters into an agreement with Lockwood. Lockwood's fees are individually negotiated; based on assets under management, vary by program type. Each client of Adviser is provided with a breakdown of the specific fees to be charged and the total fees for participation in the Program prior to the account opening.

### Calculation and Deduction of Advisory Fees

In addition to investment management fees, if a Client is invested in any Fund, such Client will indirectly bear any other costs charged to the Funds. Such costs will vary and typically include, though are not limited to, accounting, legal, fund administration fees and other related costs. Furthermore, with respect to all clients, Adviser's fees are calculated after deduction of brokerage commissions, transaction fees, and other related costs and



expenses which shall be incurred by the client. The impact of mark-ups and mark-downs shall also be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. All such charges, fees and commissions are in addition to Adviser's fee, and Adviser's related parties may receive any portion of these commissions, fees, and costs. (See items 10 and 12 for further details on related parties.)

### **Other Fees and Expenses**

Adviser's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. The impact of mark-ups and mark-downs shall also be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. All such charges, fees and commissions are in addition to Adviser's fee, and Adviser shall not receive any portion of these commissions, fees, and costs. Adviser's related persons, including its affiliated broker-dealer, receive a portion of these commissions, fees and costs. (See items 10 and 12 for further details on related parties).

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

### **Prepaid Fees**

Fees for all programs are paid in advance pursuant to an individually negotiated arrangement between the Adviser and a specific client. However, no prepaid fees are charged six months or more in advance. If an advisory contract is terminated before the end of the billing month/quarter, any pre-paid fees will be refunded on a pro rata basis based on the number of days in the month/quarter after termination.

### **Compensation for the Sale of Securities**

Some of Adviser's supervised persons accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, in their individual capacities as registered representatives of Adviser's affiliated broker-dealer Boreal Capital Securities, LLC<sup>2</sup>. Supervised persons of Adviser not registered with Boreal Capital Securities, LLC do not receive such compensation in connection with accounts managed or advised by Adviser.

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<sup>2</sup> Boreal Capital Securities, LLC formerly known as Mora WM Securities, LLC until September 30, 2019.

## **Rebates**

Adviser receives rebates from some custodians and mutual funds. Adviser may credit such rebates to the respective clients' accounts or retain as additional compensation for its services.

Specifically, a number of the Adviser's IARs are also dually associated as registered representatives with our affiliate broker-dealer Boreal Capital Securities, LLC and in this capacity a limited number of IARs receive additional compensation related to advisory assets in the form of referrals fees and rebates/trailer (commonly referred to as 12b-1 fees), from mutual funds companies in which the IARs invest your money. These trailer fees are received by Boreal Capital Securities, LLC and shared in varying portions with IARs of Boral Capital Management, LLC in their registered representative capacity. The receipt of trailer fees creates a conflict of interest and material incentive for your IAR to recommend purchases of mutual funds with rebate arrangements with the Adviser and its affiliates.

An IAR's receipt of rebate or trailer fees in association with advisory activities by those limited number of IARS is considered a material conflict that requires clear disclosure to you since your IAR is permitted to select a share class of a mutual fund that pays a rebate or trailer (which is passed on to the IAR by Boreal Capital Securities, LLC) when another less costly share class (that does not pay a trailer fee is available) provided related disclosures are made available accordingly. It should be noted certain mutual funds that do not pay rebates or trailers often maintain a higher return than mutual funds that do pay rebates or trailers since mutual funds that do not pay rebates or trailers have reduced additional cost of paying the rebates or trailers. This lower cost can equate or lead to higher overall returns for such mutual funds although returns and performance cannot be guaranteed.

Further disclosures in regards to your IAR and receipt of additional compensation are available via review of each IAR's Form ADV Part 2B, "Brochure Supplement", which is available upon request. While receipt of such trailer compensation by your IAR may be deemed acceptable by you based on negotiated advisory fees, please note if you are not comfortable with this compensation structure and conflicts of interests, please contact your IAR to discuss additional options and alternatives.

## **Cash Sweep Revenue**

Through Pershing as its clearing firm, the Adviser can receive compensation from the clearing firm in connection with cash maintained in money market sweep accounts. That compensation reduces the overall return on investment that would be earned in the fund, absent such payments. Please see Item 12 for more details.

Adviser's clients have the option to elect to establish their advisory account whereby assets are maintained at various custodians (domestically and abroad). However, most advisory customers maintain their account via the Adviser's affiliate broker-dealer Boreal

Securities, LLC (“Boreal Securities” or the “Firm”). When advisory clients establish an advisory account via Boreal Securities such assets are custodied and maintained at Pershing LLC. By way of this structure advisory clients have the option to elect certain Cash Sweep Vehicles offered by Pershing, which provide a portion of ongoing revenue to Boreal Securities based on assets invested in the Cash Vehicles. Pershing’s Cash Management Choice Program has a revenue-sharing component, titled Distribution Assistance that provides the Adviser with additional ongoing revenue contingent upon elected options by advisory clients. When the client elects a sweep option and establishes sweep instructions for their accounts, any free credit balance is swept into a money market fund product. This program provides clients with same-day liquidity and a way to earn income on uninvested cash in their account(s). The Pershing Sweep Program includes the capability for the Adviser to select particular money market funds to incorporate into the sweep program. The distribution assistance provided by Pershing is based on the collective average fund balances and not on any specific fund family. Neither the Adviser’s IARs nor the associated persons of Boreal Securities’ RRs receive compensation as a result of the payments from the Cash Sweep Vehicles. Those distributions typically stay with Boreal Securities.

The arrangement described presents a conflict of interest, as the Adviser receives compensation from the clearing firm pertaining to money market funds in client accounts. The more assets clients have in money market funds, the more a clearing firm will pay the Adviser. Therefore, the Adviser has an incentive to increase such type of investments in clients’ accounts. Clients should refer to the prospectuses and Statements of Additional Information of the mutual funds and money market funds in which they invest for further information.

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

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Adviser charges a management fee and in some cases a performance fee. Adviser structures performance fee arrangements subject to Section 205(a)(1) of the Adviser’s Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. Such performance fees would generally be between 5% to 20%. Performance fees are individually negotiated with each client and subject to a High Water Mark. Typically, the fee will be charged on a quarterly basis in arrears.

The term “High Water Mark” shall mean that no performance fee will be paid for recoupment of losses. Thus, if the net asset value of the Account (excluding the performance fee) at the end of a calculation period falls below the net asset value at the end of any previous calculation period, no performance fee will be owed to the Adviser for the calculation period then ended. The Adviser will only be entitled to a further performance fee once the net asset value of the Account exceeds the highest net asset value of the Account for all previous calculation periods. The High Water Mark is adjusted for contributions to and withdrawals from the Account. Each client is provided with additional information on the fees payable by their Account, including with respect to the High Water Mark, if any, in their advisory agreement.

Performance based fee arrangements may create an incentive for Adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Performance fee arrangements may also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Adviser has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

The Adviser has clients with similar investment objectives. The Adviser is permitted to make an investment decision on behalf of clients that differs from decisions made for, or advice given to, such other accounts and clients even though the investment objectives are the same or similar, provided that the Adviser acts in good faith and follows a policy of allocating, over a period of time, investment opportunities on a basis intended to be fair and equitable, taking into consideration the investment policies and investment restrictions to which such accounts and clients are subject.

## **ITEM 7 – TYPES OF CLIENTS**

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Adviser provides portfolio management services to individuals, corporations or other entities. The minimum dollar value for establishing an Account is generally \$100,000. Initial investments of a lesser amount may be accepted at Adviser's discretion.

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

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

Adviser may analyze the securities and other investment products it offers utilizing charting, fundamental, technical and cyclical methods. Adviser's investment strategies used to implement discretionary investment advice given to clients include long term purchases (securities and other investment products held at least a year), short term purchases (securities and other investment within 30 days) and the funds and other securities in which Adviser invests include such strategies as short sales, margin transactions, derivative and emerging markets. For the purposes of identifying various objective parameters, Adviser has created various ranges of risk/reward strategies to address clients' investment objectives. Adviser is structured as an open architecture platform. Adviser, in coordination with Adviser's affiliates, performs due diligence on all third party managers and product providers. Adviser reviews, analyzes and supplements due diligence as necessary and makes an independent determination as to whether to approve a manager or product for client accounts.

Adviser has arrangements with third party service providers through which Adviser receives general macroeconomic analyses of economies, currencies, markets and market sectors. Such third parties also provide due diligence on other investment advisers which Adviser may recommend to its clients, research reports on specific securities, sample asset allocations and administrative services. Adviser uses such

information and services as a tool and Adviser also performs its own research and due diligence on advisers and investment opportunities. Adviser makes investment allocation decisions based on each client's investment objectives and risk tolerance, among other factors. Adviser identifies, structures, monitors, invests and liquidates investments in discretionary accounts. The design and day-to-day management of client portfolios is determined by Adviser through the assigned portfolio manager. Such third party service providers do not have access to or knowledge of information concerning the specific investment decisions and recommendations made to Adviser's clients.

Through Adviser's global strategy Adviser seeks asset preservation and capital appreciation of clients' portfolios by customizing asset allocations and selecting investment vehicles that it believes will align clients' risk / return expectations with long term and short term investment needs and goals. The asset class allocations forecasts and expectations are analyzed and invested in various financial instruments, typically include equity, fixed income, commodities, real estate investment trusts ("REITs") and master limited partnerships ("MLPs") (publicly traded partnerships), and alternative investments. Adviser will select and monitor the investment vehicles for each asset class in the portfolios based on their history and prospective risk and return characteristics, and determine suitability for each client's needs, as well as, estimated fees and expense.

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

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

There is no guarantee that in any time period, particularly in the short term, a client's portfolio will achieve appreciation in terms of capital growth or that a client's investment objective will be met by Adviser.

The value of the securities in which Adviser invests on behalf of its clients may be volatile. Price movements may result from factors affecting individual companies, sectors or industries that may influence certain strategies or the securities market as a whole. Furthermore, a client will be subject to the risk that inflation, economic recession, changes in the general level of interest rates or other market conditions over which Adviser will have no control may adversely affect investment results.

Adviser notes that while Adviser's management of accounts may not involve direct leveraging, short selling or other risk factors discussed below, the underlying funds and other investments that comprise client accounts may engage in practices that can materially impact the performance of such fund or investment, which in turn may materially impact the value of Adviser's clients' portfolios.

### Hedging transactions may increase risks of capital losses

Adviser does not typically hedge client accounts directly, which can create more risk as well as opportunities for greater returns. Funds and other investment products in which Adviser invests clients' accounts may utilize a variety of financial instruments, such as options, for risk management purposes. While hedging transactions may seek to reduce risk, such transactions may result in a worse overall performance. Certain risks cannot be hedged, such as credit risk, relating both to particular securities and counterparties. Adviser will not always invest in funds or other investment vehicles that utilize hedging strategies.

### Leverage

The funds and other investment products in which client portfolios are invested may engage in investment strategies that constitute leverage. Such strategies may include the borrowing and short selling of securities, bonds, foreign exchange and the acquisition and disposal of certain types of derivative securities and instruments, such as swaps, futures and options. While leveraging creates an opportunity for greater total returns it also exposes a client to a greater risk of loss arising from adverse price changes. Where leverage is indirect (e.g., used by a fund manager for a fund in which Adviser's client is invested) a sharp decrease in the value of the investment can have a significant impact on a client's portfolio.

### Liquidity of investment portfolio

The market for some securities in which Adviser invests indirectly on behalf of its clients, may be relatively illiquid. Liquidity relates to the ability to sell an investment in a timely manner. The market for relatively illiquid securities tends to be more volatile than the market for more liquid securities. Investments in relatively illiquid securities may restrict the ability of a fund or portfolio manager to dispose of investments at a price and time that it wishes to do so. The risk of illiquidity also arises in the case of over-the-counter transactions. There is no regulated market in such contracts and the bid and offer prices will be established solely by dealers in these contracts. Client accounts that are invested in funds or other instruments that contain illiquid investments may be subject to these risks.

### Foreign currency markets

Adviser's investment strategies may cause a client to be exposed to fluctuations in currency exchange rates where it invests directly or indirectly in securities denominated in currencies other than U.S. dollars. Adviser does not engage in direct foreign currency trading. However, the underlying funds and other investment vehicles may engage in direct foreign currency trading. The markets in which foreign exchange transactions are effected are highly volatile, highly specialized and highly technical. Significant changes, including changes in liquidity and prices, can occur in such markets within very short periods of time, often within minutes. Foreign exchange trading risks include, but are not



limited to, exchange rate risk, interest rate risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment, or particular transactions in foreign currency.

### Derivatives

Adviser's investment strategy may cause a client to be exposed to derivatives including instruments and contracts the value of which is linked to one or more underlying securities, financial benchmarks or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark, index, currency or interest rate at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives trading. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can result not only in the loss of the entire investment, but may also expose a client to the possibility of a loss exceeding the original amount invested.

### Settlement risks

Adviser's investment strategies may expose a client to the credit risk of parties with whom Adviser, on behalf of the client or the underlying funds, trades and to the risk of settlement default. Market practices in the emerging markets in relation to the settlement of securities transactions and custody of assets will provide increased risk. Although the emerging markets have grown rapidly over the last few years, the clearing, settlement and registration systems available to affect trades on such markets are significantly less developed than those in more mature world markets which can result in delays and other material difficulties in settling trades and in registering transfers of securities. Problems of settlement in these markets may affect the net asset value and liquidity of a client's portfolio or investments in such portfolios.

### Short selling

Adviser typically will not directly engage in short selling in client accounts. However, Adviser may invest in funds and other securities on behalf of its clients that may sell securities of an issuer short. Short selling by a fund manager can significantly impact the value and volatility of a fund held in a client's account.

Generally, if the price of the issuer's securities declines the short position may be covered with securities purchased in the market. The profit realized on a short sale will be the difference between the price received in the sale and the cost of the securities purchased to cover the sale. The possible losses from selling short securities differ from losses that could be incurred from a cash investment in the security; the former may be unlimited, whereas the latter can only equal the total amount of the cash investment. Short selling



activities are also subject to restrictions imposed by the various national and regional securities exchanges, which restrictions could limit investment activities.

An investment through the Macro Directional Trading Strategy will incur a loss as a result of a short sale (via inverse ETFs) if the price of the Inverse ETF sold short decreases in value between the day and time of the “short sale” and the day and time on which the strategy sells the security.

### Emerging Markets

Adviser’s investment strategies include direct and indirect investments in securities in emerging markets and such investments involve special considerations and risks. These include a possibility of nationalization, expropriation or confiscatory taxation, foreign exchange control, political changes, government regulation, social instability or diplomatic developments which could affect adversely the economies of such countries or the value of a client’s investments, and the risks of investing in countries with smaller capital markets, such as limited liquidity, price volatility, restrictions on foreign investment and repatriation of capital, and the risks associated with emerging economies, including high inflation and interest rates and political and social uncertainties. In addition, it may be difficult to obtain and enforce a judgment in a court in an emerging country. The economies of many emerging market countries are still in the early stages of modern development and are subject to abrupt and unexpected change. In many cases, governments retain a high degree of direct control over the economy and may take actions having sudden and widespread effects. Investments in products of emerging market may also become illiquid which may constrain Adviser’s ability to realize some or all of a client’s portfolio holdings. Accounting standards in emerging market countries may not be as stringent as accounting standards in developed countries.

### Investment Concentration

Some client accounts may have a high concentration in one sector, industry, issuer or security that may subject such accounts to greater risk of loss in the event such investments take an economic downturn.

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

The Adviser does not invest primarily in a specific security or type of security. The material risks involved with investing are described above.

## **ITEM 9 – DISCIPLINARY INFORMATION**

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

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

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## **Broker-Dealer Registration**

Adviser is not registered with the Securities and Exchange Commission SEC as a broker-dealer. Some of Adviser's management persons are registered representatives of Adviser's affiliated broker-dealer, Boreal Capital Securities, LLC.

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

None of Adviser or its management persons is registered with the Commodity Futures Trading Commission ("CFTC") as a futures commission merchant ("FCM"), a commodity pool operator ("CPO") or a commodity trading advisor ("CTA") or an associated person of the foregoing entities.

## **Other Material Relationships**

Adviser has relationships with Boreal Capital Securities, LLC and Morabanc S.A. ("Morabanc") that are material to Adviser's advisory business and its clients. Generally, Adviser will execute securities transactions through Boreal Capital Securities. Boreal Capital Securities may act as the broker for the client's account in equity and in fixed income securities on an agency or riskless principal basis. Subject to the advisory contract with the client, Boreal Capital Securities may act as broker for the client's account in derivatives and investment products, including investment funds, "indexed" or "structured" products. Boreal Capital Securities and/or its affiliates will receive fees and other compensation in the form of management fees, placement fees, sales charges, redemption fees, structuring fees and trailer fees from the products they issue and/or manage, as well as from third-party products. In addition, clients that purchase these products through their accounts will be charged a fee by Boreal Capital Securities at the account level and also indirectly charged a management fee and/or performance fee by the managers of the investment funds.

Adviser believes that using Boreal Capital Securities will be in the best interest of its clients. However, because of such designation, Boreal Capital Securities' commission rates or spreads are not negotiated freely. Accordingly, transactions through Boreal Capital Securities may result in higher commissions, greater spreads, or less favorable net prices than might be the case if Adviser freely negotiated commission rates or spreads, or selected broker-dealers on a competitive basis. Boreal Capital Securities will not charge commissions or markups/mark-downs without the prior approval of clients as more fully described in Item 11.

In addition, as more fully described in Item 12, Adviser also monitors the execution capabilities of other broker-dealers in relation to Boreal Capital Securities to judge the range and quality of the professional services provided by such firms, and Adviser may choose to use other broker-dealers in lieu of Boreal Capital Securities.

Adviser also has a relationship with Morabanc that is material to Adviser's advisory business and its clients. Adviser may establish referral relationships with Boreal Capital Securities, Morabanc, and their respective affiliates pursuant to which each party will refer prospective clients to each other and the referring affiliate may receive fees for its respective referrals.

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

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### **Code of Ethics and Personal Trading Policies**

Adviser has adopted a Code of Ethics (the "Code") pursuant to Rule 204A-1 of the Investment Advisers Act of 1940 that permits investment personnel to invest in securities, including securities that may be purchased or held by Adviser's clients, for their own accounts. The Code governs the investment in securities by personnel designated as Access Persons and Covered Persons of Adviser. The purpose of the Code is to assure that personal transactions do not conflict with client transactions and that in any situation where the potential for conflict exists, client interests take precedence.

The Code states that no Access Person (as defined in the Code) may directly or indirectly acquire beneficial ownership of any Reportable Security in an Initial Public Offering or certain Limited Offerings without prior approval and clearance from the Chief Compliance Officer. Clearance may be granted if the Chief Compliance Officer believes that, due to the nature of the investment, the possibility of conflicts is very unlikely to arise and the risk of abuse is minimal or non-existent.

The Code states that no Covered Person (as defined in the Code) may place an order for the purchase or sale of any security for an Employee-Related Account (as defined in the Code) until the transaction has been approved by the Chief Compliance Officer in accordance with certain procedures. In submitting such a request, a Covered Person must represent that to the best of his knowledge and belief, and after due inquiry, the Covered Person is not in possession of any material, nonpublic information concerning the security proposed to be bought or sold, and the proposed transaction is not otherwise prohibited by Adviser's Compliance Manual.

In addition, Covered Persons must report any violations of the Code (including the Policies, as defined in the Code) to Adviser's Chief Compliance Officer in addition to any other persons named in the Policies. Covered Persons are required on an annual basis to review the Code (including the Policies) and complete and sign an acknowledgment of understanding of and compliance with the Code. Access Persons must provide a report of securities holdings to the Chief Compliance Officer upon first becoming an Access Person, and annually thereafter. Adviser will provide a copy of the Code to any client or prospective client upon request.

### **Participation or Interest in Client Transactions and Associated Conflicts of Interest**

When Boreal Capital Securities is acting as a broker with respect to a fixed income transaction executed for a client of Adviser, it will generally act on a riskless principal basis rather than on an agency basis. A riskless principal transaction refers to a transaction where Boreal Capital Securities, after receiving an order to buy (or sell) a security for a client, purchases (or sells) the security for its own account to offset a contemporaneous sale to (or purchase from) the client. In such instances, Boreal Capital Securities provides clients disclosure regarding the capacity in which Boreal Capital Securities is acting. Boreal Capital Securities may charge a mark-up or mark-down in certain riskless principal transactions. Equity transactions are generally executed on an agency basis, but may be executed on a riskless principal basis using the same procedures and equivalent pricing as for fixed income securities. From time to time, Boreal Capital Securities may engage in agency cross transactions for Adviser's clients. An agency cross transaction occurs when Boreal Capital Securities acts as broker for both Adviser's advisory clients and for other customers of Boreal Capital Securities on the other side of the transaction. Agency cross transactions will be executed only after obtaining prospective written consent from the advisory client, which consent can be terminated at any time with written notice to Adviser. Adviser does not advise both the seller and purchaser with regard to an agency-cross transaction. Boreal Capital Securities may also engage from time to time in so-called "cross transactions" in which it affects trades between Adviser's advisory client accounts. Boreal Capital Securities will only effect such transactions to the extent that it is able to achieve "best execution" for each client. The price will be set generally at the mid-point between the bid and ask price (or last sale price in the case of exchange listed securities) and Boreal Capital Securities will not charge commissions or other compensation in connection with the transaction.

Adviser may recommend or invest in securities, including funds, issued or managed by its affiliates (or where the affiliate acts as general partner) in which its affiliates have a material financial interest. Adviser has policies that require personnel who develop advice and recommendations for clients to render only disinterested and impartial advice to clients and to comply with other fiduciary obligations, including having an adequate basis in fact for all recommendations and an obligation to recommend only investments that are suitable for the particular client.

In addition, Adviser and its affiliates may from time to time perform a variety of services for, or solicit business from, a variety of companies, including issuers of securities that Adviser may recommend for purchase or sale by, or effect transactions for the account of, Adviser's clients. In connection with providing these services, Adviser and its directors, officers or employees and other affiliates may come into possession of material nonpublic and other confidential information that if disclosed might affect an investor's decision to buy, sell or hold a security. Under applicable law, Adviser and such persons and affiliates are prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, regardless of whether such other person is a client of Adviser. Accordingly, should Adviser or any such persons or affiliates come into possession of material nonpublic or other confidential information with respect to any company, they will be prohibited from communicating such information to their clients,

and Adviser will have no responsibility or liability for failing to disclose such information to its clients as a result of following its policies and procedures designed to comply with applicable law.

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

Adviser's personnel or a related person may invest in the same or similar securities and investments as those recommended to or entered into on behalf of Adviser's clients. The results of the investment activities of Adviser's personnel or related persons for their accounts may differ from the results achieved by or for client accounts managed by Adviser. The conflicts raised by these circumstances are discussed below.

Adviser may recommend or effect the purchase or sale of securities in which its related persons or an affiliate, directly or indirectly, has a position or interest, or of which related or affiliated person buys or sells for itself. Such transactions may also include trading in securities in a manner inconsistent with the advice given to Adviser's clients.

Activities and transactions for client accounts may be impaired or effected at prices or terms that may be less favorable than would otherwise have been the case had Adviser or related persons not pursued a particular course of action with respect to the issuer of the securities. In addition, in certain instances Adviser's personnel may obtain information about the issuer that could limit the ability of such personnel to buy or sell securities of the issuer on behalf of client accounts.

Transactions undertaken by Adviser's clients may also adversely impact one or more client accounts. Other clients of the Adviser may have, as a result of receiving client reports or otherwise, access to information regarding Adviser's transactions or views that may affect their transactions outside of accounts controlled by Adviser, and such transactions may negatively impact other clients' accounts. A client's account may also be adversely affected by cash flows and market movements arising from purchase and sale transactions by, as well as increases of capital in and withdrawals of capital from, other clients' accounts. These effects can be more pronounced in less liquid markets.

The results of the investment activities of a client's account may differ significantly from the results achieved by Advisers related persons and from the results achieved by Adviser for other client accounts. As more fully described above, Adviser has adopted a Code of Ethics. Such Code of Ethics together with Advisers policies and procedures restrict the ability of certain officers and employees of Adviser from engaging in securities transactions in any securities that its clients have purchased, sold or considered for purchase or sale, for an appropriate "black out" period. Other restrictions and reporting requirements are included in Advisers procedures and Code of Ethics to minimize or eliminate conflicts of interest.

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

Client accounts managed by Adviser may trade in the same or similar securities at or about the same time as accounts managed or advised by affiliates of the Adviser. Investments by Adviser's affiliates and their clients may have the effect of diluting or otherwise disadvantaging the values, prices or investment strategies of a client's account, particularly in small capitalization, emerging market or less liquid strategies.

This may occur when portfolio decisions regarding a client's account are based on research or other information that is also used to support portfolio decisions for Adviser's affiliates. If a portfolio decision or strategy for Adviser's affiliates' accounts or the accounts of clients of affiliates is implemented ahead of, or contemporaneously with, similar portfolio decisions or strategies for Adviser's client's account, market impact, liquidity constraints, or other factors could result in the account receiving less favorable trading results and the costs of implementing such portfolio decisions or strategies could be increased.

Advisory personnel who are registered representatives of Boreal Capital Securities may receive commission and fees for recommending transactions to brokerage customers of Boreal Capital Securities that are higher than the fees earned for recommending or directing such transactions for clients of Adviser. In addition to the disclosure in this brochure, personnel who are responsible for determining the recommendations and investments for Adviser's client accounts disclose their status as registered representatives of Boreal Capital Securities, as well as their receipt of commissions and other fees for the sale of securities in Adviser's Brochure Supplement provided to clients. Adviser also has policies that address these potential conflicts. Adviser's policies require personnel who develop advice and recommendations for clients to render only disinterested and impartial advice to clients and to comply with other fiduciary obligations.

## **Reporting Violations**

All Supervised Persons (any officer, director, partner and employee of Adviser) are required to report actual or known violations or suspected violations of Adviser's Code promptly to the Chief Compliance Officer or his designee.

Any report of a violation or suspected violation of the Code will be treated as confidential to the extent permitted by law.

As part of Adviser's obligations to conduct an annual review of all of its policies and procedures pursuant to Rule 206(4)-7 of the Advisers Act, the Chief Compliance Officer shall review on an annual basis the adequacy of the Code and the effectiveness of its implementation.



## **Recordkeeping**

Adviser maintains the following:

- Copies of the Code;
- Records of violations of the Code and actions taken as a result of the violations;
- Copies of Adviser's supervised persons' written acknowledgement of receipt of the Code;
- Records of Access Persons' personal trading — Initial Holdings Reports, Annual Holdings Reports, and Quarterly Transaction Reports, including any information provided under Rule 204A-1(b)(3)(iii) in lieu of such reports, i.e., brokerage confirmations and transaction reports;
- A record of the names of Adviser's "Access Persons";
- Records of decisions, and the reasons supporting the decision to approve an Access Person's acquisition of securities in initial public offerings or limited offerings; and
- Records of decisions, and the reasons supporting the decision to approve the Chief Compliance Officer's acquisition of securities in initial public offerings or limited offerings.

## **Acknowledgement of the Code**

Each employee will execute a written statement certifying that the employee has (i) received a copy of Adviser's Code; (ii) read and understands the importance of strict adherence to such policies and procedures; and (iii) agreed to comply with the Code.

## **Training and Education**

All Supervised Persons, i.e., all employees, are to receive training on complying with the Code on an annual basis as part of Adviser's annual employee compliance review meeting to ensure that all employees fully understand their duties and obligations and how to comply with the Policy's procedures.

## **Copies of Adviser's Code**

A copy of Adviser's Code is available upon request. For a copy, please contact Adviser at (305) 459-5400.

## **Errors**

Errors may occur from time to time in transactions for client accounts. The Adviser will generally correct any such errors that are the fault of the Adviser or an affiliate at no cost to the client, other than costs that the Adviser deems immaterial. In correcting any errors that are the fault of the Adviser or an affiliate, the Adviser or an affiliate may repurchase the securities from the client. To the extent that the subsequent sale of such securities generates a profit to the Adviser or an affiliate, the Adviser or the affiliate may retain such



profits, and may, but is not required to, use such profits to offset errors in the future or pay other client-related expenses. The Adviser will not be responsible for any errors that occur that are not the fault of the Adviser or any affiliate.

## **Privacy Policy**

Adviser considers your privacy our utmost concern. Adviser does not share any information of clients with nonaffiliated third parties, except such information may be disclosed as necessary to process a transaction an investor has requested, to the extent the investor specifically authorized the disclosure, to service providers or joint marketers who agree to limit their use of such information, and to the extent required or specifically permitted by law or reasonably necessary to prevent fraud, unauthorized transactions or liability.

When Adviser discloses non-public personal information of clients to a non-affiliated third party that provides services to Adviser or engages in joint marketing, Adviser shall:

- notify investors of the possibility of such disclosure; and
- enter into a contractual agreement with the third party that prohibits the third party from disclosing or using the investors' information other than to carry out the purposes for which the information was disclosed to the third party.

In particular, Adviser may enter, in compliance with the above conditions, into an agreement with a non-affiliated third party to store the records of Adviser clients and investors including electronic and e-mail records.

For more information about Adviser's privacy policies or to request a brochure describing Adviser's privacy policies contact Adviser at (305) 459-5400.

## **ITEM 12 – BROKERAGE PRACTICES**

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### **Broker-Dealer Selection**

Generally, Adviser will execute securities transactions through Boreal Capital Securities. Adviser believes that using Boreal Capital Securities will be in the best interest of its clients. However, because of such designation, Boreal Capital Securities' commission rates or spreads are not negotiated freely. Accordingly, transactions through Boreal Capital Securities may result in higher commissions, greater spreads, or less favorable net prices than might be the case if Boreal Capital Securities freely negotiated commission rates or spreads, or selected broker-dealers on a competitive basis. Boreal Capital Securities charges commissions or markups/mark-downs on transactions executed for Advisers clients subject to the conditions described herein. The foregoing notwithstanding, Adviser will monitor the execution capabilities of all broker-dealers it uses on an ongoing basis and may direct client securities transactions to other broker-dealers as appropriate.

In arranging for the purchase and sale of the portfolio securities of Adviser's clients, Boreal Capital Securities takes numerous factors into consideration. These include any legal restrictions, such as those imposed under the securities laws, and any client imposed restrictions. Within these constraints, Boreal Capital Securities employs or deals with members of the securities exchanges and other brokers and dealers as may in its judgment implement the policy of obtaining best execution (i.e., prompt and reliable execution at the most favorable prices obtainable under the prevailing market conditions) of portfolio transactions.

Under circumstances in which Adviser will seek the services of other registered brokers or dealers, Adviser will, in determining the abilities of a broker or dealer to obtain best execution of portfolio transactions, consider all relevant factors, including the execution capabilities required by the transactions; the ability and willingness of the broker or dealer to facilitate the accounts' transactions by participating therein for its own account; the importance of speed, efficiency and confidentiality; the broker or dealer's apparent familiarity with sources from or to whom particular securities might be purchased or sold; the reputation and perceived soundness of the broker or dealer; as well as other matters relevant to the selection of a broker or dealer. Adviser does not adhere to any rigid formula in making the selection of the applicable broker or dealer for portfolio transactions, but weighs a combination of the preceding factors. Accordingly, Adviser will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker or dealer involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

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

Adviser currently has no written soft dollar agreements. Adviser will generally execute securities transactions through Boreal Capital Securities, and accordingly, does not typically direct brokerage in consideration for research received. However, when Adviser uses a broker other than Boreal Capital Securities, it may consider receipt of research among many factors in determining which broker to select, as described above. In such case, clients may pay higher commissions or mark-ups/markdowns than with another broker that does not provide such research. Because Adviser does not have to pay for the research, Adviser may have an incentive for selecting such broker rather than for obtaining the lowest commission, most favorable net price or smallest spread. Adviser's policies require that when paying in excess of what another broker would have charged for effecting the transaction the investment officer must document his good faith determination that the commission is reasonable in relation to the value of brokerage and research received. Adviser uses the benefits it receives from third-party research for all client accounts. Research is received from third-party brokers as well as from Adviser's affiliates. Boreal Capital Securities does not produce research reports and therefore Adviser does not receive research from Boreal Capital Securities.

## **Brokerage for Client Referrals**

Generally, Adviser will execute securities transactions through Boreal Capital Securities. Adviser generally does not consider, in selecting or recommending broker-dealers, whether Adviser or a related person receives client referrals from the broker-dealer or third party.

## **Directed Brokerage**

As described above in this item, Adviser generally directs brokerage to its affiliate, Boreal Capital Securities. (See above in this Item 12 for a description of the conflicts of interest of such direction.) Not all Advisers use predominantly a single broker. Furthermore, a client may direct that Adviser use a particular broker or dealer to execute transactions or may impose price restrictions for purposes of executing orders for securities. Where a client has directed the use of particular broker or dealer or set forth fee and price restrictions, Adviser may not be in a position to negotiate freely commission rates or spreads, or to select brokers or dealers on the basis of best execution. Additionally, transactions for a client that has directed that Adviser use a particular broker or dealer or follow his/her fee and price restrictions may not be commingled or “batched” for purposes of execution with orders for the same securities for other accounts managed by Adviser. Accordingly, the direction by a client of a particular broker or dealer to execute transactions for his/her or its account or comply with price or fee restrictions may result in higher commissions, greater spreads, or less favorable net prices than might be the case if Adviser were empowered to negotiate freely commission rates or spreads, or to select brokers or dealers on the basis of best execution. Further, as discussed in the Item 5, in Adviser’s discretionary programs that typically do not charge additional brokerage commissions and certain other fees, such charges will be included where the client directs brokerage.

## **Aggregation of Trades**

Where practicable, all client portfolio orders for the same security may be combined or “batched” and executed as block transactions in order to facilitate best execution as well as for the purpose of negotiating more favorable brokerage commissions. Where a block trade is executed for a number of client accounts, the average execution price on all of the purchases and sales that are aggregated to this purpose should be used for all accounts. If an entire block is not fully executed on the same day, Adviser’s policies require an allocation method that is fair and reasonable to all clients.

## **Cash Management/Sweep Account Payments**

The Adviser may receive compensation from its clearing firm (Pershing) in connection with cash maintained in money market sweep accounts. That compensation reduces the overall return on investment that would be earned in the fund, absent such payments.

As an example, pursuant to the Adviser's agreement with Pershing, Pershing pays the Adviser, or its affiliated broker dealer, compensation for cash swept into certain money market funds provided on Pershing's platform. Pershing refers to those payments as "distribution assistance." This process is described above in Item 5.

The amount of distribution assistance (if any) depends on which money market fund is selected and the level of total assets the Adviser maintains in a given fund on Pershing's platform. Pershing determines the amount of distribution assistance, which may be adjusted or eliminated at Pershing's discretion. The Adviser has no control over the amounts of distribution assistance it receives and has no ability to discern the breakdown of what goes into distribution assistance payments.

The arrangement described presents a conflict of interest, as the Adviser receives compensation from the clearing firm pertaining to money market funds in client accounts. The more assets clients have in money market funds, the more a clearing firm will pay the Adviser. Therefore, the Adviser has an incentive to increase such type of investments in clients' accounts. Clients should refer to the prospectuses and Statements of Additional Information of the mutual funds and money market funds in which they invest for further information.

## **ITEM 13 – REVIEW OF ACCOUNTS**

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Portfolios will be reviewed by a member of the Adviser on a periodic basis no less than quarterly. An officer or designated employee of the Adviser will also review daily the transactions entered into for investment advisory clients and determine that correct entries have been made for all client records.

Accounts are typically reviewed by the Adviser's Chief Compliance Officer, Head of Investments and Investment Committee on a quarterly basis or as needed due to market conditions or transactional activity. The Adviser's Chief Compliance Officer typically reviews daily the transactions entered into for investment advisory clients to determine that correct entries have been made for all client records.

### **Factors Triggering a Review**

An account may be reviewed immediately or on a more frequent basis to the extent that the account could be affected by information concerning economic or market conditions, individual companies or industries. In addition, Adviser also performs reviews of its client's accounts as appropriate based on, among other things, changes in market conditions security positions, changes in a client's investment objective or policies, or in response to a request by a client for a meeting or the occurrence of such meeting.

### **Client Reports**

The qualified custodian for a client account will provide the client with a monthly or quarterly statement of the value of the client's account. These reports generally include,

among other things, a summary of all activity in the account, including all purchases and sales of securities and any debits and credits to the account, a summary of holdings including a portfolio valuation, and the change in value of the client's account(s) during the reporting period. Clients may also receive performance reports produced by Adviser.

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

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Adviser's compensation is primarily in the form of management and performance fees. Please refer to Item 5 for additional details. Adviser has established referral relationships with affiliates pursuant to which each party will refer prospective clients to each other and the referring affiliate will receive fees for its respective referrals. In addition, Adviser may make cash payments to third-party solicitors for client referrals provided that each such solicitor enters into a written agreement with Adviser pursuant to which the solicitor will provide each prospective client with a copy of Adviser's Form ADV Part 2 and a disclosure document setting forth the terms of the solicitation arrangement, including the nature of the relationship between the solicitor and Adviser and any fees to be paid to the solicitor. Where applicable, cash payments for client solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Advisers Act. Adviser receives referrals from outside attorneys, accountants and other professionals and may enter into remuneration agreements from time to time.

## **ITEM 15 – CUSTODY**

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Clients should receive statements at least quarterly from their qualified custodian. The qualified custodian for discretionary accounts is typically Pershing LLC, though the client may hold accounts at other custodians. Adviser also sends out periodic performance reports. Adviser urges clients to compare the account statements they receive from their qualified custodian with the statements they receive from Adviser.

## **ITEM 16 – INVESTMENT DISCRETION**

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Adviser receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. With respect to Adviser's discretionary programs and accounts, Adviser is generally conferred with discretionary authority to make the following determinations without obtaining the consent of the client before a transaction is effected:

- which securities are to be bought or sold;
- the total amount of the securities to be bought or sold;
- the broker or dealer through whom securities are to be bought or sold; and
- the commission rates at which securities transactions for client accounts are effected.

In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts, Adviser observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to Adviser in writing.

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

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### **Proxy Voting Policies**

Adviser generally votes proxies relating to securities held in discretionary client accounts. Arrangements may also be made to forward the proxies to clients for their voting if the client instructs otherwise. If Adviser votes a proxy, a record of how Adviser has voted is available free of charge and will be provided upon a client's request.

SEC-registered advisers that have the authority to vote proxies (which authority may be implied from a general grant of investment discretion) are required to adopt policies and procedures reasonably designed to ensure, among other things, that the adviser votes proxies in the best interests of its clients. Advisers also must maintain certain records on proxy voting. Adviser's proxy voting policies and procedures are set out below.

Additional information will be provided at the request of a client. In accounts where Adviser votes proxies, Adviser will determine to vote a proxy depending on, among other things, the cost of analyzing the proxy compared to the expected benefit of the vote to its clients, the subject of the proxy and the size of the position the clients hold in the issuer (proxies of issuers in which clients hold a small position are less likely to be voted than those for issuers in which clients have made a controlling investment). In determining how to vote individual proxies, Adviser shall take into account the best interests of its clients as well as any potential conflicts of interest among its clients and Adviser or its affiliates. Adviser or its delegate shall make and keep a written record of how all proxies have been voted on behalf of clients. Adviser is responsible for identifying any potential conflicts of interest that may arise in the proxy voting process. Examples of conflicts may include situations where Adviser or its affiliates have a material business relationship with a proponent of a proxy proposal, which may influence how the vote is cast, or has a business or personal relationship with participants in a proxy contest, directors, or candidates for directorships (other than by virtue of Adviser employee's status as a director of the company). Adviser will refer any such conflicts of interest to the Designated Principals for resolution.

Adviser will retain (i) its proxy voting policies and procedures; (ii) proxy statements received regarding client securities (Adviser may rely on proxy statements filed on the SEC's EDGAR system instead of keeping its own copies); (iii) records of votes cast on behalf of clients; (iv) records of clients requests for proxy voting information, and (v) any specific documents Adviser prepared that were material to making a decision how to vote, or that memorialized the basis for the decision.

## **ITEM 18 – FINANCIAL INFORMATION**

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Registered investment advisers are required in this Item 18 to provide you with certain financial information or disclosures about their financial condition. Adviser does not require prepayment of fees six months or more in advance, 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. Accordingly, no financial statements are required to be provided by Adviser to its clients and prospective clients.