

# Steinberg Asset Management, LLC

## Part 2A of Form ADV The Brochure

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This Brochure provides information about the qualifications and business practices of Steinberg Asset Management, LLC (“SAM”). If you have any questions about the contents of this Brochure, please contact us at 212-980-0080. 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.

SAM is an SEC registered investment adviser. Registration of an investment adviser does not imply a particular level of skill or training.

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

## **Material Changes**

This Brochure dated, March 19, 2021, is the disclosure document of SAM, prepared according to the requirements of the U.S. Securities and Exchange Commission. Since the last annual update of Form ADV Part 2A was filed on March 26, 2020, a 100% owned affiliate of SAM, Steinberg India Asset Management, Ltd. (“SIAM”), filed with the SEC as an exempt reporting adviser and is no longer a relying adviser of SAM. SIAM continues to serve as investment manager to the Steinberg India Emerging Opportunities Fund, Limited (the “India Fund”), a Mauritius limited liability company. Information related to the India Fund has been removed from this Brochure. In addition, SAM’s principal office and place of business moved temporarily to a private residence due to the COVID-19 pandemic. The address on the cover page of this Brochure has been updated to the firm’s mailing address.

In addition, while SAM does not consider this to be a material change, the Brochure has been updated throughout to describe the Sargasso Environmental Fund (the “Sargasso Fund”) which is expected to launch in 2021.

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## **Advisory Business**

SAM is an SEC registered investment adviser organized as a Delaware limited liability company with its principal office and place of business in New York City. SAM was founded in 1982 and is owned by Michael A. Steinberg, certain of his family members and the Steinberg 2001 Family Trust. As of December 31, 2020, SAM had total regulatory assets under management of \$111,717,468, which includes proprietary accounts of SAM principals, client accounts managed on a discretionary basis, and the Funds, described below. SAM is led by Michael A. Steinberg and Justin S. Steinberg, who lead SAM's Investment Team.

SAM is a value equity adviser managing separate accounts in primarily all-cap value equity portfolios for institutions, pensions, endowments, foundations, and high net worth individuals. SAM also manages certain client accounts in small-cap, and small-to-mid-cap strategies. From time to time, SAM may also manage concentrated portfolios for certain clients that generally invest in a single equity investment.

On January 4, 2016, SAM sponsored the launch of Steinberg Partners Fund (the "Partners Fund") which is an unregistered, pooled investment vehicle that invests in a concentrated long-only equity portfolio. The Partners Fund structure is that of a Cayman Island master-feeder consisting of the following entities: Steinberg Partners Master Fund LP, Steinberg Partners Fund (Cayman) LP and Steinberg Partners Fund (Delaware) LP. Steinberg Partners GP LLC, an entity under common control with SAM, serves as general partner to all three limited partnerships. SAM serves as the investment manager to the Partners Fund. SAM manages the Partners Fund under mandates consistent with respective investment objectives and offering documents. SAM does not tailor its advisory services to individual investors in the Partners Fund.

SIAM, a Mauritius limited liability company and exempt reporting adviser, serves as investment manager to the India Fund which invests in publicly traded Indian securities with small and mid-size market capitalization.

SAM will also sponsor the launch of the Sargasso Environmental Fund (the "Sargasso Fund"). The Sargasso Fund and Partners Fund are collectively referred to herein as the "Funds" or each a "Fund." The Sargasso Fund is a Delaware limited liability company. Sargasso Environmental GP, LLC, an entity under common control with SAM, serves as general partner to the Sargasso Fund. SAM serves as the investment manager to the Sargasso Fund. SAM manages the Sargasso Fund under mandates consistent with respective investment objectives and offering documents. SAM does not tailor its advisory services to individual investors in the Sargasso Fund. The Sargasso Fund is an all-cap, global, public equity investment fund that seeks long-term capital appreciation through investment in corporate environmental leaders who are at the forefront of addressing material environmental issues, with targets and performance in line with established science.

Clients may request that SAM tailor its advisory services for them to include reasonable restrictions and special objectives which SAM will accommodate so long as, in the sole judgment of SAM, it has reasonably determined that the implementation of the request will not unduly interfere with or disadvantage the requesting client or other existing clients. Typical examples of client requests for their portfolio include:

- Limiting maximum individual position sizes;
- Limiting maximum sector exposure;
- Excluding “sin stocks” such as alcohol, tobacco and gaming companies;
- Excluding foreign ordinary stocks;
- Directing all or a portion of trading to certain broker(s); and/or
- Maintaining a specific cash position.

While SAM does not sponsor any wrap fee program, it does serve as a manager for other wrap fee programs offered by brokerage and financial service firms. SAM manages accounts which are part of wrap fee programs using the same investment philosophy and process as non-wrap fee program clients. In a wrap fee program, clients pay a single fee to the wrap sponsor which covers some or all of the following services: portfolio management, custody, administration, commissions for trades executed by the sponsor (or an affiliate of the sponsor), and selection of portfolio managers and monitoring of the managers’ performance for continued inclusion in the sponsor’s wrap fee program. The fee paid by the client is not based directly upon transactions in the client’s account but is based on the asset value of the account. Wrap fee program clients either have a direct contractual relationship with SAM or receive SAM’s advisory services through a contract entered into with the sponsor. Advisory fees may be paid to SAM by the wrap fee program sponsor or directly by the client. Wrap fee program clients generally instruct the advisor to execute transactions through the wrap fee program sponsor. Clients are advised that the sponsor may assess additional charges if our client directs trades through a broker-dealer other than the sponsor (or its affiliate).

SAM relies on wrap fee program sponsors and their financial advisers to fulfill certain responsibilities with regard to wrap fee program clients. Generally, wrap fee program sponsors may assume tasks such as: (1) ensuring SAM’s advisory services are suitable for the client’s investment objectives; (2) performing any “know your customer” requirements imposed under applicable money laundering requirements; (3) monitoring and evaluating SAM’s performance; (4) delivery of SAM’s Brochure and Privacy Notice; and (5) communicating performance, reports and other information to the client.

The terms of each client's account in a wrap fee program are governed by the client's agreement with the wrap fee program sponsor, the brokerage account agreement and disclosures, and the sponsor’s investment advisory disclosure documents. Wrap fee program clients are urged to refer to these documents for further information and contact their financial adviser with questions about the wrap fee program. SAM provides personalized investment advice to clients, who may contact SAM with questions about the portfolio management services provided by SAM.

## **Fees and Compensation**

SAM’s advisory fees are agreed to in advance pursuant to a written investment advisory contract with separate account clients. SAM has adopted the following basic advisory fee schedule for new separate account clients: 1% of assets under management each year, payable quarterly. Clients may elect to pay either in advance or arrears. Clients may also elect to either be sent a quarterly invoice for SAM’s advisory services or have SAM deduct its fee directly from the client’s account.

Clients who pay SAM their quarterly advisory fee in advance who terminate their advisory agreement with SAM will receive a refund of the unused portion of their advisory fee. SAM prorates the advisory fee paid in advance to the termination date and refunds the balance.

In certain circumstances, SAM's basic advisory fee may be negotiable. Certain clients pay advisory fees of less than 1% on some or all of the assets managed by SAM based on the strategy, size, or history of the client relationship with SAM or the relationship which the financial consultant advising the client maintains directly with SAM. Please see below the item entitled *Performance Based Fees and Side-by-Side Management* for additional description of the fees and expenses related to the Funds.

SAM calculates its quarterly advisory fee for separate account clients based on the value of each client portfolio as of the last business day of the quarter unless a client directs SAM to use a different calculation methodology. Client portfolios generally hold market-traded securities and may hold mutual funds, as well as cash and cash equivalents. SAM prices all market-traded securities and mutual funds with an independent third-party pricing service. The advisory fee for client accounts is charged on the asset value maintained in SAM's accounting system as of the applicable billing date. In certain cases, the actual assets under management on a client's custodial statements may differ from the amount shown in SAM's system due to, among other things, pending transactions, interest earned on money market funds, accrued dividends, amounts deposited, and amounts withdrawn. Only the Partners Fund may, from time to time, hold non-market traded securities which are priced according to SAM's valuation procedures in a manner consistent with their respective offering documents.

Separate account clients pay brokerage costs, including commission charges, as well as any applicable custodial fees in addition to the advisory fee they pay SAM. Please see below the item entitled *Brokerage Practices* for further information on costs associated with trading.

Clients can choose how and whether cash balances are reinvested. Clients generally arrange independently for the cash balance of their portfolios to be invested in money market funds, other registered investment companies or cash management products offered by their custodian bank. Such funds or products may charge management fees or other fees that are in addition to the advisory fee charged by SAM.

Although not part of SAM's regular investment process, SAM may, from time-to-time depending on market conditions, invest client assets in mutual funds or exchange-traded funds (ETFs). Clients may also specifically request that SAM invest a portion of their portfolio in mutual funds or ETFs. SAM will continue to charge its normal advisory fees on those funds invested in mutual funds or ETFs, thereby resulting in possible reduction in the client's performance because of additional expenses. Clients should be aware that they can invest directly in these mutual funds or ETFs to avoid incurring advisory fees in addition to the mutual fund and ETF expenses.

Investors in the Funds pay a management fee based on a percentage of assets under management and investors in the Partners Fund pay a performance-based fee (described below). SAM receives from the Partners Fund a 0.25% management fee for investors contributing prior to June 30, 2019 and 0.50% management fee for investors contributing after June 30, 2019. The management fee for

the Sargasso Fund is 0.95% per annum of the net assets of the Fund. SAM may waive all or part of the management and performance fee at its sole discretion for investors in the Funds.

In addition to management fees, investors in the Funds also indirectly pay expenses associated with such Funds and as described in their governing documents, which reduce the net asset value of the Funds and thus the return to investors. These expenses (which may be subject to certain expense caps) include, but are not limited to, custodial fees, brokerage costs, audit fees, accounting fees, tax filing preparation, compliance and advice fees, filing fees, board of director fees, administration fees, registered office and registration fees, legal fees, investor reporting fees, fees and expenses related to software tools, research costs and expenses, and insurance premiums, as applicable. Investors should refer to the private placement memoranda or other governing document for a full description of the expenses charged to the relevant Fund.

## **Performance Based Fees and Side-by-Side Management**

SAM may charge some separate account clients a performance fee in accordance with Rule 205-3 under the U.S. Investment Advisers Act of 1940, as amended. Typically, performance fees will apply to more specialized or customized investment strategies. A performance fee may create a conflict of interest by incentivizing SAM to manage such an account in a more aggressive manner because SAM is compensated based in part on capital appreciation. In addition, SAM will receive compensation based on unrealized appreciation as well as realized gains in assets of a performance based fee account.

Managing an account that pays a performance fee may also give SAM an incentive to favor that account or Fund over other accounts managed by SAM that do not pay a performance fee, as SAM may receive greater fees from its performance fee than from those accounts it charges only an asset-based fee. As a result, SAM could have an incentive to direct better investment ideas to, or to allocate or sequence trades in favor of, the performance fee account.

SAM, or its affiliates, receive performance fees as part of their compensation arrangements with the Partners Fund. SAM (or an affiliate) receives from the Partners Fund a 10% performance allocation subject to an 8% hurdle rate and a high-water mark for investors contributing prior to June 30, 2019 and 15% performance allocation subject to an 8% hurdle rate and a high-water mark for investors contributing after June 30, 2019. SAM may waive all or part of the management and performance fee at its sole discretion for investors in the Partners Fund. SAM may also offer different performance fee and/or other terms to Investors by establishing new share classes or series within the Partners Fund.

SAM has implemented policies and procedures to mitigate conflicts when managing accounts that pay different types of fees and ensure that investment ideas are distributed fairly, including pre-allocation of trades for separate accounts and the Funds. As part of its procedures, SAM conducts checks on the allocation of investment ideas and the prices received in securities transactions by separate accounts and the Funds. The timing, nature, size, and type of orders vary for different accounts, including any concentrated portfolios, depending on the different investment or other considerations for different accounts. In addition, at times the concentrated portfolios may transact in the opposite direction of other separate accounts due to the concentration of securities and the specific needs of clients.

## **Types of Clients**

SAM generally provides investment advisory services to: (1) high net-worth individuals and their associated trusts, IRAs and 401(k) plans; (2) estates; (3) foundations, endowments and other charitable organizations; (4) pensions and profit sharing plans; (5) other corporations or business entities, both foreign and domestic; and (6) pooled investment vehicles. SAM may also sub-advise certain separate accounts which are managed primarily by other investment advisers who have contracted with SAM for sub-advisory services.

SAM generally requires that an account have a minimum market value of \$1,000,000 to be accepted as an investment advisory client. SAM may waive account minimums in certain situations including, but not limited to, difficult market conditions or a historical relationship with a client or its adviser.

The minimum investment is generally \$1,000,000 in the Funds. The minimum may be waived in certain situations. Interests in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements in private transactions within the United States. This Brochure and the material contained herein is not meant to be, nor shall it be construed as, an offer or solicitation of an offer for the purchase or sale of interests in the Funds.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

### ***Partners Fund and Separate Accounts***

### **Investment Objective and Philosophy**

SAM's focus is on creating a portfolio of long-term investments with an asymmetric risk/reward profile. Portfolios are built from the bottom up through in-house fundamental research. We believe SAM's value-oriented approach and emphasis on asymmetric risk/reward opportunities result in a distinct and concentrated portfolio.

SAM typically aims to invest in 15-20 Steinberg Stocks in separate account portfolios but may invest in more or less for a client account. A "Steinberg Stock" is defined as a security that SAM has identified as having an asymmetric risk/reward profile where SAM believes the risk of permanent loss of capital is small while the opportunity to grow capital over a three to five-year investment horizon is significant. In addition, SAM typically identifies for each investment a "free or strategic call" which presents what SAM believes to be an incremental opportunity for an additional return in excess of the estimated annualized return target established by our analysts. A more detailed description of free calls follows.

### **Key components of SAM's philosophy:**

- Identify Steinberg Stocks through deep, bottom-up, fundamental research: SAM relies on in-depth, proprietary, fundamental research to identify what SAM has determined to be extraordinary risk/reward opportunities. Members of SAM's Investment Team analyze each discrete business segment to determine both the possibility of loss of invested capital and the size and likelihood of achieving SAM's targeted returns.



- Capital preservation: Capital preservation is the primary component of SAM's fundamental research and security analysis. Each investment decision incorporates a deep understanding of the strength of a company's core business and earnings, its balance sheet and its sustainable free cash flow as well as the value of its underlying assets, with the goal of limiting the risk of permanent impairment of invested capital.
- Invest with a three to five-year strategic time horizon: For each company researched and modeled, a target value is established in the context of a three to five year investment horizon. SAM believes a longer term investment horizon allows its analysts to take a strategic view of a business. In addition, as a result of the broader investment community's substantially reduced investment horizon, SAM believes its long-term, patient approach can lead to opportunities that others miss because they are more intently focused on a near-term outlook while potentially ignoring a more substantial opportunity that may develop over a several-year period.
- Identify free or strategic calls: SAM's in-depth fundamental research seeks to identify one or more "free or strategic calls" in each of its investments. Free calls are events or developments not currently reflected in the security price that represent the opportunity to meaningfully increment the earnings power, asset value, and/or cash flows of the business thereby providing an opportunity for outsized returns and further tilting the risk/reward profile in our clients' favor. *SAM is not implying that an investor receives securities or options in securities for no cost by use of the term "free call"*. Examples of free calls include new products or contracts, regulatory changes that may result in market share gains or higher profitability, or the use of balance sheet assets to generate shareholder value. The key characteristic of a free call is that the potential upside is not yet reflected in the security price, so that if the free call is realized it represents an upside to earnings estimates and valuations, but if it does not transpire, it does not detract from the current value of the security. Typically, free calls develop over the longer term and require more in-depth research to identify, which allows SAM the opportunity to capitalize on the broader investment community's short-term focus and capture the full impact of the value created.
- Invest in the understandable: Key to SAM's philosophy and process is investing only in those businesses that can be understood well enough to clearly evaluate the risk/reward profile with a high degree of confidence. SAM will not invest in businesses where the risks cannot be appropriately sized and quantified. These risks can take many forms including: certain liabilities, for example, insurance companies with legacy liabilities; certain assets, such as those held by derivative-laden financial institutions; product development risk as is often seen in technology or biotechnology companies.
- Build a concentrated portfolio: Where SAM can clearly identify and evaluate compelling, asymmetric risk/reward opportunities, SAM invests with conviction, aiming to build focused portfolios of Steinberg Stocks. Absent specific restrictions, individual position sizes generally range from 3% to 10% at purchase but SAM may increase the size of a position to 20% or more depending on the specific situation.
- Capitalize on short-term volatility: SAM views risk as permanent impairment of invested capital, as opposed to the academic definition of risk as volatility. SAM uses its deep understanding of the value of its investments to take advantage of short-term

market volatility, both upside and downside, by building or reducing positions when the market price of the security becomes disconnected from its fundamental value for reasons independent of the fundamental drivers of the company's value.

- Target high-quality management teams: Because SAM takes a longer term strategic view, it seeks high-quality management teams with demonstrated records of operating excellence and capital allocation.

### **Absolute vs. Relative Returns**

While SAM is benchmark aware, the firm is not driven by a benchmark in its investment process. Investment decisions are based on seeking to provide the best absolute returns to clients over a three to five-year investment horizon.

SAM's approach is characterized by concentrated, opportunistic portfolios built from the bottom up. SAM's fundamental analysis and focus on the strength of a company's core business, balance sheet, sustainable free cash flow and the value of its underlying assets are designed to preserve and grow capital across a market cycle and generate positive, absolute returns over a three to five year investment horizon.

SAM's investment process is designed to result in a portfolio that is distinct from the benchmark as demonstrated by its high "Active Share." Active Share measures the difference between a portfolio's holdings and those of its benchmark.

### **Investment Process**

SAM's investment process and team is overseen by Michael A. Steinberg and Justin S. Steinberg who are actively engaged as analysts, as well as portfolio managers. The Investment Team is tasked with three key objectives: (1) setting the investment strategy; (2) reviewing new opportunities and overseeing the research process; and (3) constructing the portfolio.

SAM's research process, along with the ongoing monitoring of investments, is structured around daily and weekly meetings among the members of the Investment Team, as well as continuous, real-time communication between analysts.

SAM views cash as a residual of the investment opportunities it identifies. SAM's cash holdings can vary greatly depending on its view of the investing environment, and SAM may have significant cash holdings as a result. Cash holdings across client portfolios may differ because SAM separately manages portfolios.

The investment process and philosophy described above are utilized for the Partners Fund, which holds a concentrated portfolio managed under a mandate consistent with its investment objective and offering documents.

### **Research Process**

***Idea Generation and Preliminary Analysis:*** New ideas can come from any member of the Investment Team. New ideas often surface as a result of identifying an investment theme, secular

trend, or event that will lead to unusually strong long-term earnings growth and/or a step-function increase in earnings or free cash flow for a business. Investment Team members leverage their existing knowledge of industries and individual companies to find peers and explore adjacent industries or in an industry that might be of interest. SAM also develops investment ideas (none of which constitute material non-public information) through discussions with company competitors, suppliers, vendors and customers. SAM often looks for businesses that fall into one of the following four categories:

- **Earnings Compounders:** Businesses that are likely to compound earnings at an accelerated rate typically due to a favorable industry structure (i.e., oligopolies, duopolies, or monopoly-like) and/or pricing power
- **Strategic Assets:** Businesses that are characterized by unique or irreplaceable assets that allow for pricing power and, in turn, meaningful earnings growth and premium multiples
- **Superior Capital Allocators:** Businesses that have the ability and the willingness to use their balance sheet to return cash to shareholders through large share repurchases or meaningful dividends. Alternatively, these businesses can use the balance sheet to acquire strategic assets that will enhance their market position and provide outstanding cash on cash returns
- **Inflection Points:** Businesses that will experience a step-function increase in earnings and/or cash flows as a result of an inflection point in the business or industry (e.g. a regulatory change or severe supply/demand imbalance)

Once an idea is identified, one or more analysts conduct preliminary research to determine if the identified security has the characteristics of a Steinberg Stock.

**Full Research Analysis:** Once the investment opportunity has been approved for additional research, deep fundamental analysis begins. Throughout the investment process, analysts maintain an open dialogue regarding current and potential investments being evaluated. All members of the Investment Team conduct primary company research.

SAM's research process is designed to uncover investments believed to have asymmetric risk/reward profiles (i.e., Steinberg Stocks). Fundamental analysis is SAM's primary research tool in selecting securities. Analysts have periodic meetings with company management and representatives in addition to interviewing customers, competitors and vendors whenever useful and practicable. The information garnered through this process is used to build a proprietary financial model for each company in which SAM invests. The modeling is detailed and extensive and seeks to analyze each business unit or segment in a way that sell-side research and the company itself typically does not. This modeling includes strategic uses for cash, and often more than one valuation methodology is used.

SAM's process is focused on understanding the key revenue drivers, margin profile and financial posture of a company's business(es), beyond typical company reporting and sell-side analysis, and identifying the primary sources of earnings and positive free cash flows. This method of analysis allows SAM's analysts to better understand businesses and engage in a far more robust and involved

conversation with management teams. Financial models are instrumental in the development of long-term target values as well as near-term risk measures and are updated as appropriate in the analyst's ongoing reviews and discussions with company management.

***Portfolio Construction:*** After extensive due diligence, the full thesis and body of research is reviewed by Michael A. Steinberg and/or Justin S. Steinberg to determine whether the company meets the criteria of a Steinberg Stock. Following SAM's deep, fundamental research process, which includes ongoing communication with company management, and a review of the asymmetric nature of the risk/reward profiles required for inclusion in the portfolio, investment decisions are reached. Once the decision to invest is made, a tactical discussion occurs regarding entry and upside price targets, and appropriate position size based on the security's risk/reward profile.

### **Risk Management**

SAM's fundamental risk/reward analysis is the driver of investment decisions. The Investment Team continually reviews the risk/reward profile of each stock and the overall portfolio.

The fundamental risk/reward analysis entails rigorous due diligence of each investment with the goal of accurately capturing the probability and magnitude of the investment's returns, as well as the probability and magnitude of the loss of capital under different scenarios.

Risk is also managed through position size. Position sizes generally range from 3% to 10% at purchase but may vary at SAM's discretion. In rare cases, SAM may increase the size of a position to 20% or more (as client guidelines dictate). Also, SAM generally limits sector exposure in a portfolio to a maximum of 25% (subject to client guidelines). Given SAM's absolute return approach, the Investment Team believes that absolute limits are a more effective way to manage risk than weighting relative to an index.

### **Sell Discipline**

In both informal conversations and formal meetings, the Investment Team continuously analyzes whether the risk/reward profile of a security in the portfolio has shifted such that a position should be reduced or eliminated.

The portfolio managers will sell, or reduce a position in a security, if the investment thesis fails to develop along the anticipated lines, the risk profile of the business changes (e.g., due to an unexpected regulatory change, negative development in the competitive structure of the industry, or in the worst case, poor execution by management) or when it believes the return has been realized and the valuation of the company's shares largely or fully reflect the opportunities that were once believed to be unrecognized in the share price.

### ***Sargasso Fund***

### **Investment Objective and Philosophy**

The Sargasso Fund's investment objective is to achieve capital appreciation over the long-term by investing in the publicly listed equity securities of corporate environmental leaders that are at the forefront of addressing material environmental issues, with targets and performance in line with established science, referred to as the "Environmental Leadership Profile." The Sargasso Fund intends to invest opportunistically in all market capitalization segments and to vary its allocations throughout the range of market capitalizations as appropriate in order to achieve the Sargasso Fund's investment objective.

Security selection is based on SAM's assessment of available investment opportunities after receiving input from its environmental research consultant concerning the environmental strength of the issuer's strategy and operations. The Sargasso Fund will use both quantitative and qualitative factors to seek to identify attractive investment opportunities that meet certain thresholds in terms of both their financial and environmental performance. In addition, the Sargasso Fund may invest in both U.S. and non-U.S. securities without geographic limitation, including those of non-U.S. issuers listed on non-U.S. exchanges in developed markets as well as developing markets.

### **Investment Process**

The investment process for the Sargasso Fund is overseen by Justin S. Steinberg, SAM's Co-Portfolio Manager. SAM also utilizes an environmental research consultant.

SAM anticipates that the investment process for the Sargasso Fund will rely on both quantitative and qualitative measures and analysis and aims to assess the risk-reward profile (the "Risk-Reward Profile") of qualified environmental leaders.

SAM will seek to invest in companies whose environmental and investment attributes strongly suggest that the Risk-Reward Profile is asymmetric. SAM will consider a security to have an asymmetric Risk-Reward Profile if, in SAM's opinion based on its research, there is a low risk of permanent impairment of invested capital and a high probability of significant annual returns over a three-to-five-year period. SAM considers permanent impairment of invested capital to be defined as a decrease in value of the Sargasso Fund's capital that is unlikely to be regained within the average time horizon it requires for investment results. SAM's investment team regularly analyzes whether the Risk-Reward Profile of a security in the portfolio has shifted such that the investment should be increased, reduced, or eliminated.

For purposes of the Sargasso Fund's Environmental Leadership Profile, SAM relies on quantitative and qualitative measures and analysis and is aimed at identifying businesses whose environmental performance, disclosure, initiatives, partnerships, and commitments demonstrate environmental leadership. SAM has well-defined criteria for measuring environmental leadership and employs a proprietary screening model and diligence process for identifying such environmental leaders.

SAM anticipates that the Sargasso Fund will sell, or reduce a position in, a security, if the investment thesis fails to develop along the anticipated lines, either with respect to the Risk-Reward Profile or the Environmental Leadership Profile (e.g., due to an unexpected regulatory change, negative development in the competitive structure of the industry, or in the worst case, poor execution by management) or when it believes the return has been realized and the valuation of the company's shares largely or fully reflects the opportunities that were once believed to be unrecognized in the share price.

## **Risk Management**

SAM intends for the Sargasso Fund to typically hold a focused portfolio of approximately 40 securities at any given time, but it is not limited in the number of securities in which it may invest.

To assist in the risk management process, the Sargasso Fund will employ certain position limits, as described in governing documents. Consistent with the Sargasso Fund's opportunistic approach to investing, the Sargasso Fund will not be required to diversify its portfolio across industries, sectors, or regions.

The Sargasso Fund does not intend to sell securities short, or invest in futures, swaps, or other derivative instruments.

## **Risks**

While SAM seeks to limit risk as described above, investing in any security involves the risk of loss that clients should be prepared to bear. A client or investor could lose money over short or even long periods and should expect the value of the portfolio and total return to fluctuate within a wide range that may exceed fluctuations of the overall stock market. SAM seeks to manage this risk appropriately. SAM in no way guarantees performance or results and past performance is not indicative of future results. Clients and investors should be aware of the following risks:

- ***Stock Market and Selection Risk.*** The stock market may go down in value and may go down sharply and unpredictably. The stocks selected by SAM may underperform the stock market or other funds with similar investment objectives and investment strategies. Stock market risk is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- ***Stocks of Small and Mid-Size Companies Risk.*** SAM often invests in small and mid-cap stocks. The stocks of companies with small and mid-sized market capitalizations typically involve more risk than the stocks of larger more established companies. These smaller companies may have more limited financial resources, narrower product lines, and may have less seasoned managers. In addition, stocks in these companies may trade less frequently and in lower share volumes, making them subject to wider price fluctuations. Less liquidity in small and mid-size securities may hinder SAM's ability to sell these securities at the most opportune time compared to larger, more liquid companies.
- ***Concentration Risk.*** The Funds and/or separate accounts may have concentrated portfolios, meaning that client portfolios may hold fewer securities than a diversified portfolio and may take larger positions in individual securities. SAM may also manage certain highly concentrated portfolios that generally invest in a single Steinberg Stock. As a result, client portfolios may be more affected by the performance of a particular security than a fund investing in a broader range of securities. Accounts that invest in a single stock are subject to a high degree of risk as the decline in price of the stock would adversely affect the entire account.

- **Value Investing.** Value stocks can react differently to issuer, political, market and economic developments than the market as a whole and other types of stocks. Value stocks tend to be inexpensive relative to their earnings or assets compared to other types of stocks. However, value stocks can continue to be inexpensive for long periods of time and may not ever realize their full value.
- **General Foreign Risk.** Investments in foreign stocks and stocks issued by U.S. companies with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include: (1) fluctuations in foreign currencies; (2) withholding or other taxes; (3) trading, settlement, custodial and other operational risks; (4) geopolitical risk; and (5) the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments more volatile and potentially less liquid than U.S. investments.
- **Business, Terrorism and Catastrophe Risks.** Clients will be subject to the risk of loss arising from exposure that it may incur, indirectly, due to the occurrence of various events, including hurricanes, earthquakes, and other natural disasters, terrorism, and other catastrophic events such as a pandemic. These catastrophic risks of loss can be substantial and could have a material adverse effect on the SAM's business and clients' portfolios including investments made by SAM.

Investors in the Partners Fund should read the Risk Factors described in the respective offering materials which detail the risks specific to investing in the Partners Fund, in particular:

- **Leverage; Interest Rates; Margin.** The Partners Fund may borrow funds from brokerage firms and banks in order to be able to increase the amount of capital available for marketable securities investments. In addition, the Partners Fund may, in effect, borrow funds through entering into repurchase agreements, and may "leverage" their investment return with options, swaps, forwards and other derivative instruments. The amount of borrowings which the Partners Fund may have outstanding at any time may be large in relation to its capital. Consequently, the level of interest rates, generally, and the rates at which the Partners Fund can borrow, in particular, will affect the operating results and the total value of the Partners Fund.

In general, the use of short-term margin borrowings by the Partners Fund results in certain additional risks to the Partners Fund. For example, should the securities pledged to brokers to secure the Partners Fund' margin accounts decline in value, the fund could be subject to a "margin call", pursuant to which the Partners Fund must either deposit additional funds with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the Partners Fund' assets, the Partners Fund might not be able to liquidate assets quickly enough to pay off margin debt.

- **Illiquid Investments.** The Partners Fund may invest in securities and other assets, which are subject to legal or other restrictions on transfer or for which no liquid market exists, certain of which may be allocated to special accounts. The market prices, if any, for such

investments tend to be volatile and may not be readily ascertainable and the Partners Fund may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over the counter markets. The Partners Fund may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. An investment in the fund is suitable only for certain sophisticated investors who do not require immediate liquidity for their investments.

- ***Derivative Instruments.*** The Partners Fund may use various derivative instruments, including options, futures, forward contracts, swaps, and other derivatives which may be volatile and speculative. Certain positions may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses.

Finally, investors in the Sargasso Fund should read the Risk Factors described in the respective offering materials which detail the risks specific to investing in the Sargasso Fund, in particular:

- ***No Operating History.*** The Sargasso Fund has no operating history. Accordingly, an investment in the Sargasso Fund entails a high degree of risk. There can be no assurance that the Sargasso Fund will achieve its investment objectives or that the strategies described herein will be successful. While SAM is a well-established investment manager in the marketplace, this is the first time the environmental research consultant is operating under such collaborative arrangement. There can be no assurance that this arrangement will be successful.
- ***Environmental, Social, and Governance.*** The Sargasso Fund will screen potential investments according to environmental, social and governance objectives in addition to potential economic returns. While SAM believes that over the long term investments in companies meeting its environmental, social and governance responsibility standards will generate attractive economic returns, it is possible that the Sargasso Fund's screening of investments based on these goals will reduce economic returns to investors, will not provide investors with comparable protection of capital as other types of investments and will be more concentrated in certain sectors than investments that do not screen for environmental, social and governance impact. The Sargasso Fund will take into account the potential environmental and social impact and governance practices when making decisions regarding the selection, management, and disposal of investments. In certain situations, the potential environmental and social impact and governance practices of a company may outweigh financial considerations. For example, the Sargasso Fund may choose not to invest in an equity security that has high anticipated returns if the underlying business does not also meet the Sargasso Fund's environmental and social standards. In addition, the Sargasso Fund may reject an opportunity to increase the financial return of an existing investment in order to preserve the environmental and social impact of such investment. As a result of the foregoing, the Sargasso Fund may achieve lower financial returns than if it did not take into account the environmental and social impact of its investments and investment-related



decisions. On the other hand, the Sargasso Fund may determine in any particular situation to take steps to preserve its financial returns, notwithstanding any adverse environmental and social impact.

In addition, as referred to in “Performance-Based Fees and Side-By-Side Management” above, the timing, nature, size, and type of orders will vary for different accounts, including any concentrated portfolios, depending on the different investment or other considerations for different accounts. Trading for one group of accounts in a particular security may affect the market price of that security and thus the price of subsequent transactions for other accounts in the same security.

## **Disciplinary Information**

SAM and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client’s evaluation of the company or its personnel.

## **Other Financial Industry Activities and Affiliations**

SAM, its principals, and employees have not identified any current relationships or arrangements with other financial services companies that pose material conflicts of interest to SAM’s fiduciary obligation to its clients.

SAM is the sponsor of the Funds, which are unregistered pooled investment vehicles. From time to time, SAM may recommend to certain clients that they invest in the Funds either in addition to or in lieu of investing in a separate account.

Interests in the Funds are exempt non-public offerings under the Securities Act of 1933, and the Funds are exempt from regulation under the Investment Company Act of 1940. Accordingly, interests in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements for private transactions within the United States. More information about the Funds is available in respective offering documents. This Brochure and the material contained herein is not meant to be, nor shall it be construed as, an offer or solicitation of an offer for the purchase or sale of any of the funds described.

SAM relies on exemptions available to it under the Commodities Futures Trading Commission rules to avoid registering as a commodity pool operator and commodity trading adviser. Similarly, the Funds, and any relevant general partner entity, rely on exemptions to avoid registering as a commodity pool operator.

SIAM is a wholly owned subsidiary of SAM and manages the India Fund. SAM receives management fees from the India Fund and performance fees from the India Fund through an affiliated entity. Michael A. Steinberg is a Director of the India Fund and Justin S. Steinberg is a Director of SIAM. SAM may recommend that certain clients invest in the India Fund.

SAM has entered into a Services Agreement with an unaffiliated investment adviser, whereby SAM provides certain non-exclusive bookkeeping, accounting, trading, reporting, and other support services to the adviser, as well as office space to the adviser, for mutually agreed upon fees paid by the adviser to SAM. SAM maintains separate policies and procedures to address potential conflicts of interest that may arise as a result of these services. There is a possibility that SAM’s clients could

be impacted in the event of an issue of receipt of material nonpublic information ("MNPI") from the unaffiliated investment adviser resulting in a trading restriction. SAM maintains procedures designed to prevent insider trading which include a procedure that in the event of an issue of an employee of SAM coming into receipt of MNPI, the employee is required to notify Steinberg's Chief Compliance Officer so that the Chief Compliance Officer is enabled to take appropriate action.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

SAM has adopted a Code of Ethics ("Code") in order to mitigate potential conflicts of interest. All SAM employees are covered by the Code. Below is a summation of the intent of SAM's Code which is designed to ensure that its principals and employees:

- Act with integrity and in an ethical manner with the public, clients, prospective clients, employers and other participants in the global capital markets;
- Place the interests of clients, and the interests of SAM above their own personal interests;
- Adhere to the fundamental standard that employees should not take inappropriate advantage of their position;
- Avoid any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with the Code;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions and engaging in other professional activities; and
- Comply with applicable provisions of the federal securities laws.

SAM's Code includes formal policies and procedures governing personal trading, prevention of insider trading, political contributions, receipt and giving of gifts, and outside activities.

Subject to Code requirements, SAM's principals and employees may actively engage in trading on behalf of their own personal accounts, including in securities also held by client accounts. SAM also recommends securities in which it or its related persons have substantial ownership. This practice may create a situation where SAM's employees are in a position to materially benefit from the sale or purchase of those securities and thus pose a potential conflict of interest. Prohibited practices include "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation), "front running" (i.e., personal trades executed prior to those of the SAM's clients to take advantage of potential price changes or limited liquidity resulting from subsequent SAM trades in the same security), as well as other potentially abusive practices. SAM's personal trading policies and procedures are reasonably designed to prevent and detect such abuses.

At no time may SAM's principals or employees short individual securities or related securities held in client portfolios, including the Funds, or take derivative positions that have the same economic effect as 'betting against' client held securities. Additionally, employees must hold for at least 30 days any security held in client portfolios and employees may not trade in a security if it is included on SAM's current interest list as a potential investment for client portfolios or is otherwise restricted from trading by the Chief Compliance Officer. SAM's personal trading policy and procedures also require that employees: (1) pre-clear certain personal securities transactions; (2) report and certify personal securities transactions on at least a quarterly basis; (3) certify personal securities holdings (initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest and certify such holdings; and (4) report any violations of the Code to the Chief Compliance Officer.

Certain SAM principals and employees trade securities for their own account, but SAM itself does not trade securities for its own account.

A complete copy of SAM's Code may be obtained upon request by any current or prospective client by contacting SAM's Chief Compliance Officer, Steven Feld, at 212-980-0080.

SAM also sponsors the Funds which may hold the same securities as the portfolios of separate account clients, including in higher proportions. Michael A. Steinberg and members of his family maintain, directly and indirectly, significant investments in the Funds. Additionally, other SAM employees may from time to time invest in the Funds.

SAM has implemented policies and procedures to mitigate conflicts arising out of these investments to ensure that investment ideas are distributed fairly, including pre-allocation of trades for separate accounts and the Funds. As part of its procedures, SAM conducts regular checks on the allocation of investment ideas as well as the timing of and the prices received for securities transactions by separate accounts and the Funds.

## **Brokerage Practices**

SAM typically has full authority to select brokers and negotiate commissions for client trades for its discretionary clients, including for the Funds. In certain instances, such as for clients from wrap fee programs, SAM will accept direction from clients or agree to limitations with respect to SAM's authority as to which brokers are to be used and what commissions are to be paid. Any such direction or limitation must be in writing.

Separate account clients which, in whole or in part, direct SAM to use a particular broker to execute transactions for their accounts should be aware that, in so doing, they may adversely affect SAM's ability to, among other things, obtain volume discounts on bunched orders or to obtain best price and execution. Consequently, the cost of directed transactions may be greater. Further, clients who direct SAM to use particular brokers may not participate contemporaneously, or at all, in certain opportunities available to other clients. Transactions for directed accounts are placed after transactions for non-directed accounts have been completely filled. As a result, directed accounts may receive the same securities at materially different prices and may not receive the manager's full intended investment experience. Directed accounts are typically rotated over time but certain

directed accounts at brokers that require phone orders to be placed are traded last. Additionally, SAM may “trade away” and regularly “steps out” trades from the custodians/broker-dealers seeking best execution as described below. “Trading away” may result in additional cost to the client as described below as well. Finally, clients should be aware that the aggregate impact of requiring directed brokerage may result in overall performance that differs from accounts which do not direct brokerage. In addition, SAM does not accept responsibility to seek best execution when the client has directed brokerage.

With respect to transactions over which SAM has full discretion to select brokers, it is SAM's policy, consistent with investment considerations, to seek the most favorable price and execution for brokerage orders in light of current market conditions. Commissions on brokerage transactions are generally subject to negotiation.

SAM seeks, but is not obligated, to bunch orders for the purchase or sale of the same security for client accounts (including the Funds) where SAM deems this to be appropriate, in the best interests of the client accounts, and consistent with applicable regulatory requirements. When a bunched order is filled in its entirety, each participating client account (including the Funds) will participate at the average share price for the bunched order on the same business day, and transaction costs shall be shared pro rata based on each client’s participation in the bunched order. When a bunched order is only partially filled, the securities purchased will be allocated on a pro rata basis to each account participating in the bunched order based upon the initial amount requested for the account, except as described below, and each participating account will participate at the average share price for the bunched order on the same business day. A strict pro rata allocation may cause certain accounts that are custodied with broker-dealers such as Pershing Advisor Solutions LLC and Charles Schwab & Co. that charge per transaction to pay additional ticket costs if the order is filled through multiple partial transactions. As referred to in “Performance-Based Fees and Side-By-Side Management”, Steinberg may manage certain highly concentrated portfolios that generally invest in a single Steinberg Stock. Orders to transact in securities for such concentrated portfolios may be bunched with each other but not with orders to transact in the same securities for other separate accounts and the Funds.

Exceptions to strict pro rata allocation of partially filled orders may include, without limitation, the avoidance of a client’s holding odd lots or similar de minimis numbers of shares, avoidance of discrepancies in percentages of ownership in securities across accounts, delays in broker responsiveness or communications, or the payment of additional ticket costs charged by broker/dealer custodians such as Pershing Advisor Solutions LLC. In such cases, SAM will increase or decrease the amount of securities that would otherwise be allocated to each account by reallocating the securities in a manner which SAM deems fair and equitable to clients over time.

In seeking best execution for trades on behalf of its clients, SAM may instruct an executing broker to allocate, or step out all or a portion of a transaction to another broker. Step out trades are transactions which are executed at one broker and then “stepped out” or given up by that broker to another broker who receives credit for that trade. Step out trades may benefit the client by finding a natural buyer or seller of a particular security such that SAM is able to trade a larger block of shares more efficiently. SAM may use step out trades to accommodate a client’s directed brokerage

mandate, such as client in a wrap fee program where all trades are typically directed to the plan sponsor's broker and the client is not charged for each trade in the account.

SAM trades from time to time in over-the-counter ("OTC") equity securities for certain clients. Most equity securities traded by SAM OTC are traded on an agency basis or with a commission. On occasion, SAM will place OTC equity transactions on an agency basis where there may be a "market maker" available; as such, clients will be charged commissions in addition to the broker's spread which is included in the offer or bid price of the security.

In choosing brokers to effect transactions, SAM may consider any research, statistical or other information or services, including their coverage of various industries, the information systems offered by such brokerage firms and the timing and accuracy of their delivery of statistical information provided by such other brokers which enhance SAM's investment research and portfolio management capability generally.

Accordingly, SAM shall not be required or deemed to have the duty to obtain the lowest brokerage commission rates available or to combine or arrange orders to obtain the lowest brokerage commission rates available on transactions for its clients. If the amount of commission charged by a broker is reasonable in relation to the value of the brokerage functions and services provided by such broker to SAM, SAM may direct brokerage transactions to such broker notwithstanding the fact that such broker charges higher commissions than those another broker might charge.

In evaluating brokers for executing trades, SAM considers market conditions, the nature of the order, and various other factors, including but not limited to those listed below:

- execution price
- commission
- general trading expertise
- electronic trading capabilities, access to algorithms and FIX connectivity
- responsiveness
- providing market and company color and updates
- minimizing market impact
- accessing liquidity, including dark pools
- anonymity
- speed, accuracy and frequency of trade updates
- value of research and brokerage services provided
- reputation, integrity and perceived counterparty risk
- settlement risk
- maintaining the relationship and trading abilities with the broker

### **Soft Dollars**

SAM also effects transactions through several brokers which pay for research and brokerage services provided by third parties in accordance with Section 28(e) of the Securities Exchange Act of 1934, commonly known as soft dollars. SAM receives a benefit when it utilizes client brokerage commissions to obtain research or other products and services because SAM does not have to

produce or pay for the research or other product or service. These services may consist of written or oral research reports from either brokers directly or independent research providers regarding particular companies, industries or general economic conditions or of other services which aid SAM in fulfilling its investment decision-making responsibilities. These services include but are not limited to: (1) security pricing services; (2) electronic information management systems, including SAM's trade order management system; (3) data sets and tools used to manipulate such data which are employed to identify and analyze securities, including risk modeling and portfolio analysis; (4) products used to communicate trade information to brokers and other parties in order to properly settle trades; and (5) specialized financial and industry publications and news services.

Research services furnished or paid for by brokers and through whom SAM effects transactions are used by SAM in servicing all clients and not all such services may be used by SAM in connection with the clients which paid commissions to the brokers providing the services. Commissions paid to brokers providing such research may be higher than those charged by brokers not providing such services. SAM has multiple commission capture arrangements, or soft dollar programs, in place. These may vary from time to time. SAM believes the commission rates and soft dollar credit percentages are reasonable in relation to the value of the brokerage functions and services provided to SAM.

On occasion, a product or service furnished to SAM by a broker-dealer is useful in making investment decisions regarding client accounts and also provides administrative or other non-Section 28(e) eligible assistance to SAM, sometimes known as 'mixed-use' items. Under such circumstances, SAM makes a reasonable allocation as follows: the portion of such service or specific component which provides assistance to SAM in its investment decision-making responsibilities is obtained from the broker-dealer with commissions paid on client portfolio transactions, while the portion of such service or specific component which provides non-research assistance is paid for by SAM with its own resources.

SAM may have an incentive to select a broker based on our interest in receiving research or other products or services, rather than on client's interest in receiving the lowest commission. SAM will effect transactions through brokers providing third party research services only if the commissions charged by such brokers are reasonable in relation to the value of the brokerage functions and research services provided and only if the execution prices received on such trades are comparable to prices received from execution only brokers on similar trades. Also, research or soft dollar credits received from trading by one client has been and will in the future be used for the benefit of other clients.

For those accounts custodied at Pershing Advisor Solutions LLC, Charles Schwab & Co. and Fidelity, Inc. and certain other custodians/broker-dealers, SAM may "trade-away" from the custodians/broker-dealers to generate soft dollar credits at another broker-dealer or to seek best execution in the best judgment of SAM considering all the facts and circumstances of the trade. Accounts subject to such trades would incur trade-away fees.

SAM may utilize certain brokers that have pension or financial consulting divisions that influence the process by which entities select investment advisers (including SAM). When SAM places trades through a broker and also maintains a relationship with the pension or financial consulting division

of the broker, the relationship could be construed as a potential conflict of interest that would incentivize SAM to place more trades through the broker in exchange for increased exposure through the pension consulting division. However, SAM mitigates this potential conflict by allocating brokerage to the counterparties subject to its fiduciary duty to seek best execution on client trades.

### **Trade Errors**

It is SAM's policy to resolve any error identified in a separate client account in a manner which ensures that the account is made whole, and no loss is born by a client. Trade errors in the Funds are subject to the relevant negligence standard as disclosed in the relevant Fund's governing documents. SAM prohibits the use of soft dollars to resolve trade errors. If a trade error is discovered prior to settlement, and the trade cannot practicably be broken, the trade will be settled in an SAM trade error account maintained at the broker/dealer. Securities acquired in an error account are not held for investment, but rather an offsetting transaction will be executed in the error account to either sell or cover the securities transacted in error, at SAM's discretion, as soon as practicable. SAM may elect to close such a position while client orders to buy or sell are pending. A trade error in one client's account may be corrected through reallocation of the amounts of securities that had been allocated to various client accounts so long as it is effected prior to settlement. Additionally, a transfer involving a post-settlement adjustment involving a purchase or sale between accounts of securities to another client's account may occur. Any reallocation or other transfer must be approved by the CCO and represent a legitimate investment decision by the Portfolio Manager in overall best interest of each account involved, and then only if the reallocation or other transfer is done without loss to the transferee account.

### **Review of Accounts**

SAM's Investment Team monitors SAM trades on a daily basis and reviews portfolio holdings as described above in *Methods of Analysis: Investment Process and Research Process*. In addition, client accounts and the Funds are also reviewed periodically by SAM's senior management and by Compliance for adherence to guidelines and client objectives.

Advisory clients generally receive a written monthly or quarterly report of their account from SAM, which typically includes a summary of holdings and market values and performance history as well as other information which clients may request be included in their reports. Certain clients may receive reports only from the intermediary through which they access SAM's advisory services, such as investors in a wrap fee program or investors for whom SAM serves as sub-adviser to the investor's primary advisor. Clients may also receive written and/or online access to monthly or quarterly account statements directly from their custodian bank. Custodian banks serve as the official source of books and records for all client accounts. Clients are urged to compare the reports provided by SAM with the statements provided by their custodian.

Investors in the Funds generally receive quarterly reports from SAM and/or the fund administrator, as well as annual audited financial statements.

## **Client Referrals and Other Compensation**

SAM's affiliate, SIAM, which manages the India Fund, has entered into distribution/placement agent agreements with certain placement agents. SAM does not compensate anyone for client referrals.

## **Custody**

All client separate account assets are custodied by unaffiliated broker/dealers or banks. SAM may be deemed to have custody of the client funds which clients have explicitly authorized SAM to directly debit its advisory fees. SAM believes based upon due inquiry that all clients either receive written statements directly from their custodian no less frequently than quarterly or receive online access to their account, including monthly or quarterly statements, after following their custodians procedures for giving consent to electronic delivery/access. SAM encourages clients to compare information contained in reports provided by SAM with their custodian statements.

Investors in the Funds will not receive statements from the custodian of the Funds. Instead, each Fund is subject to an annual audit and the audited financial statements are distributed to each investor. The audited financial statements are prepared in accordance with generally accepted accounting principles and distributed within 120 days of the fund's fiscal year end. Investors in the Funds also receive statements from the independent administrator on no less than a quarterly basis.

## **Investment Discretion**

SAM generally has full discretionary authority with respect to its investment advisory accounts and the Funds. Clients may request that SAM tailor its advisory services for them to include restrictions and special objectives which SAM will accommodate so long as SAM believes implementation of the request will not unduly interfere with or disadvantage the requesting client or other existing clients. SAM manages the Funds in accordance with their offering documents.

## **Voting Client Securities**

SAM's clients typically delegate to SAM the authority and responsibility to vote proxies for the voting securities held in their accounts. Where SAM has been granted the authority and accepted the responsibility for voting proxies, it will determine whether and how to do so, in the case of individual proxies, in accordance with its fiduciary obligations and its Proxy Voting Policy and Procedures (the "Policy") and the proxy voting guidelines adopted under the Policy. SAM reserves the right to amend its Policy at any time. SAM also has proxy voting authority with respect to the Funds.

When SAM (or a delegate) votes proxies it will do so in the best interest of its clients (defined, for this purpose, as in the best interest of enhancing or protecting the economic value of client accounts and in accordance with its guidelines), considered as a group, as SAM determines in its sole and absolute discretion and in accordance with its guidelines. SAM has retained a third-party vendor to assist with administrative aspects of the proxy voting process, as well as to provide research and vote recommendations based on guidelines it has established. SAM consider numerous factors in voting decisions, including the recommendations of the third-party providers. However, SAM may, at its discretion, vote shares in a manner contrary to the third party's recommendation if SAM feels that is in the best interest of clients. In the unlikely event that SAM is required to vote a proxy that



could result in a conflict between clients' best interests and SAM's best interests, SAM will vote according to the third-party's recommendation.

SAM generally will not accept proxy-voting authority from a client if the client seeks to impose client-specific voting guidelines that may be inconsistent with SAM's guidelines or with the client's best economic interest in SAM's view.

SAM does not opine on or complete materials related to client participation in class actions, except for the Funds. Where possible, SAM will attempt to forward class action materials to clients directly should such materials be received by SAM.

Clients can obtain a complete copy of SAM's Policy, as well as reports on how particular proxies were voted, by contacting the CCO at 212-980-0080.

## **Financial Information**

SAM has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.