

**Andbanc Advisory, LLC**

1221 Brickell Avenue, Suite 1050  
Miami, FL 33131  
(305)702-1617

This brochure provides information about the qualifications and business practices of Andbanc Advisory, LLC (“Andbanc” or the “Adviser”). If you have any questions about the contents of this brochure, please contact us at: (305)702-1617 or contact us by e-mail at [dlashkari@andbancadvisory.com](mailto:dlashkari@andbancadvisory.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 Andbanc is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Revision: March 30<sup>th</sup>, 2021

## ITEM 2 – MATERIAL CHANGES

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In the past Andbanc has offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, Andbanc 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. Andbanc may further provide other ongoing disclosure information about material changes, as necessary.

Andbanc 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 December 2020 update, no material changes have occurred.

Since the prior revision of March 2019, Andbanc has added significant disclosures regarding the use of mutual funds in clients' portfolios, the conflicts of interest that are present and the costs associated with this type of investment vehicles.

Currently, Andbanc's Brochure may be requested by contacting Darius Lashkari, Chief Compliance Officer, at (305)702-1617. You may also contact us by e-mail at [dlashkari@andbancadvisory.com](mailto:dlashkari@andbancadvisory.com) for a copy free of charge. Additional information about Andbanc 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 Andbanc who are registered, or are required to be registered, as investment adviser representatives of Andbanc.

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## **ITEM 4 – ADVISORY BUSINESS**

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

Andbanc Advisory LLC ("Andbanc" or the "Adviser") is an investment adviser that provides discretionary and non-discretionary investment management services to institutional and individual investors. Andbanc is 100 percent owned by Andbanc Wealth Management LLC, a Florida limited liability company that is ultimately owned by Andorra Banc Agricol Reig S.A.

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

Andbanc provides investment advisory services to its 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 are intended to fit within the client's objectives, strategies and risk profile as described by each client and approved by Andbanc. On an occasional basis, Andbanc may furnish also advice or consulting services to clients on matters not involving securities.

### **Discretionary Portfolios**

Adviser offers discretionary management account services that are customized to each client or client risk profile type. 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. For customized portfolios, the strategies utilized may be similar to or may vary widely from the core strategies typically utilized by the Adviser for non-customized discretionary portfolios, as further described in Item 8. Clients may place targets on these accounts and may restrict the types of investments made in such accounts.

### **Family Wealth Services - Investment Advisory Consulting**

Adviser provides a variety of non-discretionary consulting services with respect to client assets, including assets not involving securities. Adviser can assist high net worth clients in defining personal or family financial goals and objectives and supply analysis and guidance as to the actions and investment strategies necessary to attain the selected goals and objectives. Such investment advisory consulting services do not include the implementation of investment strategies or the placement of investment orders. All guidance and investment advice is based upon the information provided by the client. Generally, the Adviser offers the client the following services:

*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.

*Estate Planning & Ownership Issues:* Discuss Incapacity or Contingency Plans; Help Establish Structures or Determine Adjustments to Existing Structures; Suggest Reasonable Fees for Products and Services; Periodically Review and Re-validate Estate Plan; Develop a Family Mission Statement.

*Family Protocol, Governance and Education:* Determine Family Decision-Making Hierarchy; Determine Family Succession Hierarchy; Facilitate, Coordinate and Assist Family Meetings; Financial Education Programs for Younger Generations.

*Risk Management:* Review Risk Reduction Strategies; Evaluation of Life Insurance, Buy/Sell Agreements; Assist in Evaluation of Property & Casualty, Disability Insurance.

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

Adviser provides non-discretionary advisory services to affluent and high net worth clients in accordance with the appropriate 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 or risk profile and such advice may be provided to accounts at Adviser's affiliated banks and broker-dealers or accounts custodied with third parties.

### **Other Services**

Andbanc 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-advisers services are contracted by the Adviser. Andbanc may engage its affiliates or other related parties to act as a sub-adviser. Working with sub-advisors that are affiliates of Andbanc can introduce conflicts of interest and additional costs.

Adviser may provide additional services for clients from time to time as agreed between the client and the Adviser, including assistance in obtaining mortgage loans, new custodians, margin and other loans.

### **Wrap Fee Programs**

Adviser does not participate in, nor is it a sponsor of, any wrap fee programs.

## 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 and/or higher risks.

## Regulatory Assets Under Management

As of December 31, 2020, Adviser had assets under management of approximately \$286,391,102 managed on a discretionary basis. Additionally, the Adviser maintained approximately \$380,537,971 in assets under management on a non-discretionary basis.

## ITEM 5 – FEES AND COMPENSATION

### Adviser's Basic Management Fees

The specific manner in which fees are charged by Andbanc are established in each client's written agreement with Adviser. Generally, and pursuant to contract, fees for investment advisory services will be based upon a percentage of the total assets in the account (including margined and cash assets). Adviser typically receives an annual management fee, ranging from .50% for some institutional or institutional-like clients to 1.75% of the net asset value of the account, subject to a minimum fee of \$500.00 per quarter. All fees are negotiable. Adviser may enter into flat fee arrangements from time to time, including arrangements for administrative services provided to clients or client accounts. When using margin as part of the investment advisory service, then investment advisory fees are calculated on the net account balance (rather than the total market exposure) in order to avoid any incentive for the Adviser to use margin to potentially increase the fee paid by the client. However, if and when margin takes place at the direction and express request of the client and not that of the Adviser, the Adviser will be allowed to calculate the advisory fee on the gross account balance.

Basic Management Fee Schedule (Non-Institutional Clients)	
Account Value	Fee Percentage
Up to \$500,000	1.75%
\$500,000 to \$1,000,000	1.50%
\$1,000,000 to \$5,000,000	1.00%
\$5,000,000 to \$20,000,000	.75%
\$20,000,000 to \$50,000,000	.60%
Over \$50,000,000	.50%

In addition, some portfolios of qualified investors may also have variable performance fee of up to 20% computed annually over the quarter-end value of the portfolio (see the Performance-Based Fees section). Furthermore, Andbanc may agree to enter into compensation arrangements in which clients **are** assessed a minimum quarterly fixed fee established under the assumption that Adviser will dedicate up to a maximum number of man-hours per quarter to be agreed upon with the client. In the event that the actual amount of time dedicated by the Adviser providing advisory services exceeds the maximum number of agreed man-hours during any twelve month period, the Adviser will modify the fixed advisory fee (prospectively) upon consultation and agreement with the client.

Performance fees will not be assessed in connection with investments made through Andbanc's affiliated investment entities if such entities charge their own performance fees.

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. In some instances, depending on the fees agreed with specific clients, the same or similar services to those described herein may be available elsewhere to the client at a lower cost.

### **Calculation and Deduction of Advisory Fees**

Investment advisory and management fees are billed quarterly, in arrears, meaning that Andbanc will charge such fees "After" the quarterly billing period has "Ended". By signing Andbanc's Advisory Services Agreement, clients agree to have Andbanc deduct its advisory fees directly from the clients' custody account(s) that it manages or advises, including accounts opened at Pershing LLC through Adviser's affiliated broker-dealer, Andbanc Brokerage LLC. Unless advised otherwise, advisory fees will be automatically debited from the client account(s) according to the quarterly management fee billing cycle.

Advisory fees are calculated based on actual number of days in the year. At the end of every calendar quarter, Andbanc will calculate advisory fees based on a percentage of the total assets in the account as follows:

- **Assets Under Management.** The month-end account value(s) for the three months in the quarter will be obtained from the client's custody account(s), and the average of these values shall be calculated.
- **Method of Fee Calculation.** The advisory fee is calculated by multiplying your annual fee by a fraction, the numerator of which is the actual number of days in the quarter and the denominator the actual number of days in the year, and further multiplied by the average balance value calculated as described in the preceding paragraph, subject to a minimum fee of \$500.00 per quarter.
- **Payment method.** Unless otherwise agreed, the fee will be directly and automatically deducted from the account(s).

In calculating the Assets Under Management, Andbanc relies on the statements and valuation methods of the client's custodian and does not perform an independent verification of such assets. In the case of bonds and other assets with coupons, their valuation will be based on "dirty prices," meaning that they include accrued interest up to the day of valuation. Other products such as structured notes may be valued according to theoretical models.

Please note that even though custodians produce statements that show the value of the Assets Under Management and deduct the advisory fees, they do not check Andbanc's calculations regarding such fees.

Advisory fees for accounts opened or closed during a calendar quarter will be prorated based on the number of days in the quarter that accounts were opened and subject to the investment services agreement with the Adviser. For account closure requests, please note that as per the Investment Services Agreement Adviser requires 30-day prior notice in writing from clients, such period starting on the date the notice is effectively received by Adviser and ending 30 calendar days thereafter. Adviser will calculate and charge advisory fees up to the last day of a client's 30-day notice period. The prorated fee calculations will be based on the average of the most recent month-end balances available to the Adviser since the last calendar quarter. In the case of cancellation of an investment advisory agreement, Adviser will calculate and charge (or bill as appropriate) advisory fees shortly upon receipt of the cancellation notice.

Furthermore, with respect to all clients, Adviser's fees are calculated after deduction of brokerage commissions, transaction fees, and other related costs and expenses (commonly referred to as "Other Fees and Expenses") which shall be incurred by the client.

## **Mutual Funds**

Fees paid to the Adviser for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders, including, but not limited to, management fees and other fund expenses, possible distribution fees, and initial or deferred sales charges (collectively referred to hereinafter as "mutual fund fees").

Mutual funds generally offer multiple share classes for investment based upon certain eligibility and/or purchase requirements. In addition to retail share classes (typically referred to as class A, class B and class C shares), mutual funds may also offer institutional share classes or other share classes that are specifically designed for purchase by investors who meet certain specified eligibility criteria, including minimum dollar amount thresholds or enrollment in an eligible fee based investment advisory program. Institutional share classes usually have a lower expense ratio than other share classes. For example, retail share classes typically pay distribution fees to broker-dealers ("12b-1 fees") while institutional share classes do not. Consequently, institutional or other share classes that do not pay 12b-1 fees are less expensive for clients.



Clients should be aware that 12b-1 fees, in particular, will in some instances create a conflict of interest for the Adviser because of the relationship between the Adviser and its affiliated broker-dealer, Andbanc Brokerage, LLC ("Andbanc Brokerage"). In instances where funds that pay and comparable funds that do not pay 12b-1 fees are available to the Adviser's clients, the Adviser and its investment adviser representatives will have a financial incentive to make decisions or recommendations for investment in those funds that pay 12b-1 fees. Similarly, in instances where a fund has available to the Adviser's clients for investment both a higher cost share class that pays 12b-1 fees and a less costly share class that does not pay such fees or pays lower fees, the Adviser and its investment adviser representatives will have a financial incentive to make decisions or recommendations for investment in the higher cost share class. Accordingly, clients should not assume that they will be invested in the fund or the share class with the lowest possible expense ratio. This conflict of interest is mitigated through periodic reviews of the mutual fund trading activities conducted through the affiliated broker-dealer. The reviews will ensure that the mutual fund selections are in accordance to the clients' investment mandates and according to Fiduciary Principles the Adviser adheres to.

The appropriateness of a particular mutual fund share class selection depends upon a range of different considerations, including, but not limited to: the asset-based advisory fee that is charged; whether transaction charges are applied to the purchase or sale of shares of available classes; the overall cost structure of the advisory program; operational considerations associated with accessing or offering particular share classes (including the presence of selling agreements with the mutual fund sponsors and the Adviser's ability to access particular share classes through the custodian); share class eligibility requirements; and the availability of revenue sharing distribution fees, shareholder servicing fees or other compensation associated with offering particular share classes.

The mutual fund fees, including those assessed by different mutual fund share classes, are described in each fund's prospectus.

Please contact the Adviser for more information about fund costs and share class eligibility.

### **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 markups 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. In certain cases, however, Adviser's related persons, including its affiliated broker-dealer, will receive all or 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 (e.g., commissions).

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

Some of Adviser's supervised persons may accept compensation for the sale of securities or other investment products, including asset-based sales charges, 12b-1 fees or service fees from the sale of mutual funds, in their individual capacities as registered representatives of Andbanc Brokerage. Supervised persons of Adviser not registered with Andbanc Brokerage do not receive such compensation in connection with accounts managed or advised by Adviser.

### **Past Due Accounts and Termination of Agreement**

Andbanc Advisory LLC reserves the right to stop work on any account that is more than 30 days overdue. In addition, Andbanc Advisory LLC reserves the right to terminate any financial planning engagement and advisory services where a client has willfully concealed or has refused to provide pertinent information about financial or anti-money laundering situations when necessary and appropriate. Any unused portion of fees collected in advance will be refunded within 30 days.

## **ITEM 6 – PERFORMANCE-BASED FEES**

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Adviser charges a management or advisory fee. In some cases, it may agree to charge a variable performance fee in addition to a minimum fixed 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 variable performance fees will generally be between 5.00% to 20.00%. Performance fees are individually negotiated with each client and will be subject to a High Water Mark. Typically, the performance fee will be computed quarterly or annually in arrears and will be based on the value of the "Property" (as such term is defined in the Investment Services Agreement) in excess of an annual hurdle rate established. In addition and as part of this compensation structure, the Adviser charges an annual minimum fixed fee, payable quarterly in arrears, which will be negotiated with clients and will be applied irrespective of whether there is appreciation in the value of the Property. Please see Section 5 for details of the calculation of this minimum fixed fee.

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 and net money in or out unrelated to investments) at the end of a calculation period falls below the net asset value at the end of any previous calculation period during the life of the account, 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 (excluding net money in or out unrelated to investments) exceeds the highest net asset value of the Property 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, in their advisory agreement and related documents. The terms of the High Water Mark may vary depending on the terms of the advisory agreement entered into between the Client and the Adviser

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 to prevent this conflict from influencing the allocation of investment opportunities among clients.

The Adviser may have 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 may be 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 \$1,000,000. 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 other methods. Depending on the risk profile, Adviser's investment strategies used to implement discretionary investment advice given to clients can include long term positions (securities and other investment products normally held at least a year), short term, tactical positions, high risk strategies as short sales, margin transactions, derivatives and leveraged positions, and investments in 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 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 may 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 in these accounts 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 long term asset preservation and capital appreciation of clients' portfolios by customizing asset allocations and selecting investment assets and 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 investments made in various financial instruments, which typically include equity, fixed income, commodities, real estate investment trusts ("REITs") and master limited partnerships ("MLPs") (publicly traded partnerships), structured products 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.

Other sources of information that Andbanc Advisory LLC may use include research papers prepared by Andbanc Agricol Reig, S.A. or its affiliates, and other financial institutions.

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

While it is the intention of Adviser to implement strategies that are designed to keep potential losses in synch with the client's risk tolerance, 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 paragraph offers 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 these practices thus materially impacting 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*

Unless otherwise agreed with the client or permitted by the client's risk profile, 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. 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 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 or the currency of reference for the client. Unless otherwise agreed with the client or permitted by the client's risk profile, 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 or loss 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.

### 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, duration, issuer or security that may subject such accounts to greater risk of loss in the event such investments take an economic downturn.

### Credit Risk

Adviser's investment strategies may expose a client to credit risk in circumstances where an issuer of a debt security suffers an adverse change in financial condition that results in the issuer not making timely payments of interest or principal, security downgraded or inability to meet a financial obligation. Adviser invests or issues investment proposals that contain investment grade, non-investment grade and unrated securities. Credit risk is greater for lower-rated securities.

### **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, Andbanc Brokerage LLC.

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

Neither the Adviser nor any of its management persons are 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**

Andbanc has relationships with its affiliates including but not limited to Andbanc Brokerage LLC that are material to its advisory business and its clients. Generally, Andbanc will execute securities transactions through Andbanc Brokerage or its affiliates. In some cases, Andbanc Brokerage 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 Andbanc's advisory contract with the client, Andbanc Brokerage will act as broker for the client's account in equities, derivatives and investment products, including investment and mutual funds, "indexed" or "structured" products. In all the above cases, Andbanc Brokerage and/or its affiliates will receive fees and other compensation in the form of



mark-ups and markdowns, management fees, placement fees, sales charges, redemption fees, structuring fees, distribution fees, 12b-1 fees, other trailer fees from the products traded and/or managed, as well as from third-party products. In addition, clients that purchase these products through their accounts may be charged a fee by Andbanc Brokerage at the account level and also indirectly charged a management fee and/or performance fee by the managers of the investment funds.

Andbanc believes that using Andbanc Brokerage will be in the best interest of its clients. However, because of the affiliation with the Adviser, Andbanc Brokerage's markups, markdowns, commission rates or spreads are not negotiated freely. Accordingly, transactions through Andbanc Brokerage may result in higher commissions, greater spreads, or less favorable net prices than might be the case if Andbanc freely negotiated commission rates or spreads, or selected broker-dealers on a competitive basis.

In addition, as more fully described in the Brokerage Practices, Andbanc also monitors the execution capabilities of other broker-dealers in relation to those of Andbanc Brokerage to judge the range and quality of the professional services provided by such firms, and Andbanc may choose to use other broker-dealers in lieu of Andbanc Brokerage.

Andbanc has arrangements that are material to its advisory business or its clients with related persons who are banking or thrift institutions (e.g. Andbanc Agricol Reig S.A., Andbanc Espana, Andbank Panama S.A), broker-dealers (e.g. Andbank (Panama) SA, Andbanc Brokerage LLC), investment companies (e.g. Latam Credit Opportunity Fund, APWIA Fund SPC Ltd., or the And Asset Allocation Fund Segregated Portfolio), asset managers (e.g. Columbus de Mexico S.A. de C.V.), other investment advisors, commodity pool operators, commodity trading advisers or futures commission merchants. Adviser has no personnel registered as securities representative with a third-party broker dealer.

Unless otherwise directed by the client, Andbanc will place clients' securities trades with their affiliate Andbanc Brokerage, in which case this affiliate will execute and receive compensation in the form of mark-ups, mark-downs, commissions, distribution and other fees. The use of these and other affiliates introduces conflicts of interest.

Adviser also has a relationship with Andorra Banc Agrícola Reig, S.A. ("Andorra Banc" or the "Bank") that is material to Adviser's advisory business and its clients because Andorra Banc acts as the qualified custodian for certain client accounts. Adviser has policies and procedures in place to comply with the requirements of Rule 206(4)-2 of the Adviser's Act that are applicable to the Bank's role as qualified custodian for client accounts. Another material relationship with an affiliate is that of Andbanc with the APWIA Fund SPC Ltd. and the And Asset Allocation Fund Segregated Portfolio, both proprietary investment funds by virtue of their use of Andbanc's affiliates in a custodial, administrative or investment adviser capacity.

The use of Adviser's affiliates and proprietary products creates conflicts of interest that clients need to understand as they can adversely affect the costs and fees incurred, the performance of an account or portfolio, the depth of services received, or the objectivity of certain decision-making processes.

In addition to the conflicts of interest emanating from the use of Andbanc's affiliates, there are other conflicts of interest that clients need to be aware of, including (a) incentives to recommend high margin products such as structured products, (b) added resistance to discount fees when clients are introduced by a solicitor with whom Andbanc has an agreement pursuant to which the solicitor receives a portion of the advisory fees, (c) recommending investment funds that generate higher 12b-1 or other fees, (d) compensation incentives unraveling practices that induce clients to increase the Assets Under Management, and (e) incentives to take higher risks as a result of performance fee arrangements.

## **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 Access Person (as defined in the Code) may engage in personal securities transactions. Such transactions may raise potential conflicts of interest when such persons trade in a security that is owned by a client or considered for purchase or sale for a client. Adviser has adopted policies and procedures that are intended to ensure that transactions are effected for clients in a manner that is consistent with the fiduciary duty and in accordance with applicable law. Adviser's associated persons who wish to purchase or sell securities of the types purchased or sold for clients may do so only in a manner consistent with the Adviser's policies and procedures. Employee trading is monitored by the Adviser's Chief Compliance Officer in an effort to prevent conflicts of interest between Andbanc and its clients.

In addition, Covered Persons must report any violations of the Code (including the Policies, as defined in the Code) to Adviser's Chief Executive Officer/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 Andbanc Brokerage 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 Andbanc Brokerage, 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, the Adviser is required to disclose to its advisory clients in writing before the completion of such transaction the capacity in which it was acting and to obtain written consent of advisory clients for such transactions. Andbanc Brokerage charges a mark-up or mark-down in 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. Agency trades are subject to commissions.

From time to time, Andbanc Brokerage may engage in agency cross transactions for Adviser's clients. An agency cross transaction occurs when Andbanc Brokerage acts as broker for both Adviser's advisory clients and for other customers of Andbanc Brokerage on the other side of the transaction. Agency cross transactions will be executed only after obtaining prospective written consent from the advisory client. Adviser does not advise both the seller and purchaser with regard to an agency-cross transaction.

Andbanc Brokerage may also engage from time to time in so-called "cross transactions" in which it affects trades between Adviser's advisory client accounts. Andbanc Brokerage will only effect such transactions to the extent that it is able to achieve "best execution" for each client.

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 for recommendations and an obligation to recommend only investments that are suitable for a 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.

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 regulate the ability of certain officers and employees of Adviser to engage in securities transactions in securities that its clients have purchased, sold or considered for purchase or sale. 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 Andbanc Brokerage may receive commission and fees for recommending transactions to brokerage customers of Andbanc Brokerage that are higher than the fees earned for recommending or directing such transactions for clients of Adviser. 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.

### **Hedging of Advisory Revenues**

Adviser may from time to time enter into transactions for its own account for the purpose of hedging gross revenues. This means that Adviser may determine in good faith that stock markets are at elevated price levels and make a decision, upon the unfolding of a potential or actual market correction, to use option strategies to hedge the effect that significantly lower stock prices may have on the assets under management and, hence, the advisory fees. This hedging activity is a short term strategy to compensate potentially lower revenues of the Adviser, and under no circumstances should be construed as part of the Adviser's market views that support its investment recommendations for clients' portfolios, which tend to have much longer investment horizons.

### **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 Executive Officer, 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

or his designee 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, U4 / U5 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)702-1617.

## **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 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, the Adviser 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.

## **Privacy Policy**

The Adviser considers your privacy of utmost importance and concern. Information on the Adviser's privacy policy is provided in the Adviser's privacy policy notice given to clients at account inception and on an annual basis.

For more information about Adviser's privacy policies or to request a brochure describing Adviser's privacy policies contact Adviser at (305)702-1617.

## **ITEM 12 – BROKERAGE PRACTICES**

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### **Broker-Dealer Selection**

Unless otherwise restricted by the client or the custodian, Adviser executes securities transactions through Andbanc Brokerage when it believes that using Andbanc Brokerage will be in the best interest of its clients. However, because of such designation, Andbanc Brokerage' commission rates or spreads are not negotiated freely. Accordingly, transactions through Andbanc Brokerage 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. Andbanc Brokerage 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 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 portfolio securities of Adviser's clients, Andbanc Brokerage 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, Andbanc Brokerage employs or deals with members of the securities exchanges and other brokers and dealers as it may deem appropriate in its judgment to 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 Andbanc Brokerage, and accordingly, does not typically direct brokerage in consideration for research received. 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.

### **Brokerage for Client Referrals**

Adviser has no arrangements where it directs brokerage to a broker in exchange for client referrals.

### **Directed Brokerage**

As described above in this item, Adviser generally directs brokerage to its affiliate, Andbanc Brokerage. (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.

### **Aggregation of Trades, Block Trades and Trade Sequencing**

For discretionary accounts, Adviser may but is not required to combine multiple orders for shares or units of the same securities purchased or sold for managed advisory accounts so as to obtain the most efficient execution possible. Trade aggregation generally requires a portfolio manager's or adviser representative's reasonable determination that such an aggregation will benefit the client. The distribution of the shares or units purchased or sold in block is typically proportionate to the size of the account's position in the traded securities; and it is not based on account performance or the amount or structure of the advisory fees. Subject to Adviser's discretion regarding market conditions, when it aggregates orders, each participating account pays or receives the average price per share or unit for all transactions associated with block trades and, subject to minimum ticket charges, pays a proportionate share of all transaction costs. Adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges. Accounts owned by Adviser or persons associated with Adviser may participate in block trades with other client's accounts, but will not receive any preferential treatment.

Adviser does not aggregate orders for non-discretionary accounts. Hence, these accounts may have different prices and costs than discretionary accounts that are block traded. For any accounts that are not block traded, Adviser may not be able to buy or sell the same quantities of securities for a client, and clients may pay higher commissions, fees and/or transaction costs than clients who enter into discretionary arrangements. In addition, when discretionary and non-discretionary accounts generate trades for the same security at approximately the same time, discretionary account transactions will usually be placed prior to non-discretionary accounts; and, therefore, non-discretionary accounts may receive prices which are not as favorable as discretionary accounts.

## **ITEM 13 – REVIEW OF ACCOUNTS**

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Accounts are typically reviewed by the Adviser's Chief Executive Officer, Chief Compliance Officer, Risk Manager, Portfolio Manager or Investment Committee on a periodic basis or as needed due to market conditions or transactional activity.

### **Factors Triggering a Review**

All accounts are reviewed periodically. The frequency depends on the type of account or the extent to which the account could be affected by information concerning economic or

market conditions, individual companies or industries or geopolitical events. In addition, Adviser also performs reviews of its client's accounts as appropriate based on, among other things, changes in asset allocation or asset selection policies, market conditions security positions, changes in a client's investment risk tolerance or objectives, 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. The Adviser does not produce statements of clients' accounts and the only such statements are those prepared by custodians. However, Adviser can and will produce, regularly or upon request, account and portfolio reports that include overviews, analysis, and performance. Such reports are produced (with data received from custodians) solely as an accommodation and service to clients, but do not constitute formal statements, and do not replace any statements issued by custodians. Clients may also receive consolidation reports produced by Adviser upon request.

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

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Adviser's compensation is primarily in the form of management, advisory and performance fees. Please refer to Item 5 for additional details. Adviser has referral relationships with affiliates pursuant to which each party may refer prospective clients to each other and the referring affiliate may receive fees for its respective referrals. In addition, Adviser makes 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 may receive 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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Adviser's affiliates may act as the qualified custodian for certain client accounts. As such, the Adviser may be deemed to have custody of clients' fund or securities in connection with advisory services provided to its clients. The Adviser is subject to all applicable provisions of the Custody Rule, which includes, among other requirements, obtaining from its related persons that serve as qualified custodians, a written report on an annual

basis. This report will contain an opinion from an independent public accountant with respect to the Adviser's related persons' control relating to custody of client assets such as an ISAE / SSAE report.

The Adviser maintains all securities and funds of its clients with "qualified custodians". Clients must receive no less than, on a quarterly basis, statements directly from the broker-dealer, bank, or other qualified custodian that holds and maintains such client's assets. Adviser urges its clients to carefully review these statements. The Adviser's reports, if any, may vary from the statements provided by the qualified custodian because of differences in the timing of their preparation, reporting dates, communications or systems problems in the exchange of account data between custodians and the Adviser, or valuation methodologies used to value certain securities.

## **ITEM 16 – INVESTMENT DISCRETION**

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Adviser receives discretionary authority from the client ordinarily 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, instructions and restrictions must be provided to Adviser in writing and Adviser will have a reasonable period in which to evaluate and, if appropriate, approve them.

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

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### **Proxy Voting Policies**

Adviser does not vote proxies relating to securities held in client accounts. Upon express request from a client, arrangements can be made to forward the proxies to clients for their voting. Typically the custodian of the client investment account receives proxy notifications which are forwarded to the client. In the event that the Adviser receives any proxy notifications, the Adviser will promptly forward such notifications to the client for review and response.

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.