



## **FLOWERING TREE INVESTMENT MANAGEMENT PTE. LTD.**

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### **BROCHURE PART 2A OF FORM ADV**

**March 31, 2021**

This brochure provides information about the qualifications and business practices of Flowering Tree Investment Management Pte. Ltd. ("FTIM", the "firm" or "we"). If you have any questions about the contents of this brochure, please contact us at [info@ftimgmt.com](mailto:info@ftimgmt.com) or +65 8366 6285. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

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

While FTIM is registered as an investment adviser with the SEC pursuant to the Investment Advisers Act of 1940, as amended (the "Advisers Act"), it does not comply with the Advisers Act with regard to its non-US clients. Registration with the SEC does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

Since our Form ADV Part 2A brochure filed in March 2020, there are no material changes to report.

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#### **Item 4 – Advisory Business**

FTIM is a private limited company formed under the laws of Singapore which has been in the investment advisory business since 2009. FTIM has been 100% owned by FTIM's founder, Mr. Rajesh Sachdeva, since its formation and Mr. Sachdeva acts as chief executive officer and portfolio manager.

We provide discretionary investment advisory services to long only and long-short equity oriented private funds (the "FTIM Funds"), and an institutional long only separate account (the "Separate Account" and collectively with the FTIM Funds, the "FTIM Accounts"), each focused on Asia Ex-Japan markets and companies. We seek to make long investments in companies that address large market opportunities in attractive industry structures and are run by committed management teams and generate high returns on capital. Our short investments (which we invest in for our long-short FTIM Funds) are intended to be the inverse: companies in competitive industries and facing structural or cyclical headwinds with constrained balance sheets.

As of December 31, 2020, FTIM managed net assets of approximately \$546.1 million on a discretionary basis in the FTIM Accounts. FTIM does not manage assets on a non-discretionary basis.

FTIM provides individualized investment advice to each FTIM Account. While the long only and long-short FTIM Accounts are generally invested in the same securities long, the different FTIM Accounts have different levels of concentration and overall have different investments, and each FTIM Account client is expected to be able to impose various non-binding investment and other guidelines on FTIM. Further, certain share series of the FTIM Funds may be subject to certain separate investment restrictions or limitations. FTIM does not provide individualized advice to investors within the FTIM Funds and therefore investors should consider whether a particular FTIM Fund meets their investment objectives and risk tolerance prior to investing. FTIM may enter into "side letters" or similar agreements with certain investors in the FTIM Funds granting the investor certain specific rights, benefits, or privileges that are not made available to other investors.

Investors and prospective investors in each FTIM Fund should refer to the confidential private placing memorandum and other governing documents for each FTIM Fund (the "Governing Documents") for more complete information on the investment objectives and investment restrictions with respect to a particular FTIM Fund. There is no assurance that the investment objectives will be achieved.

As used herein, the term "client" generally refers to each FTIM Fund and, if applicable, the beneficial owner of the Separate Account.

## Item 5 – Fees and Compensation

Each investor in an FTIM Account is typically charged a management fee equal to a percentage of net assets and an annual performance fee or special allocation equal to a percentage of the net appreciation of such fund at the end of each calendar year (over an index related benchmark in certain instances), which are paid/allocated directly to FTIM or to an affiliate of FTIM. Certain expenses, which include reimbursements to FTIM, are also the responsibility of the FTIM Accounts (and thus the investors in the FTIM Funds) as described below. Similar provisions to those described in this paragraph are expected to apply to any Separate Account.

FTIM's current fee schedule is generally as follows:

- Management Fee: Long Only – 1% annually, Long/Short – 1.275% to 1.5%, annually
- Performance Fees/Special Allocations: Long Only 10% - 30% annually, Long/Short 17.5% annually

Fees vary for different FTIM Accounts and investors with respect to FTIM Funds depending, for example, on the investment strategy employed, the date an investment was made or the amount invested. In calculating performance-based fees and special allocations, any loss (whether an absolute loss or a loss relative to a benchmark, depending on applicable terms) in an FTIM Account is carried forward so that no performance-based fees or special allocations are charged to or deducted from the FTIM Account until any prior loss has been recouped, subject to certain adjustments (i.e., subject to a loss carry forward or high water mark or after deduction of management fees depending on the applicable terms governing the calculations). Management fees for the FTIM Accounts are ordinarily paid monthly or quarterly in arrears while performance-based fees and special allocations are generally also paid or deducted annually in arrears, or upon withdrawal of an investment in an FTIM Fund. Fees are invoiced by FTIM and paid by the administrator for the relevant FTIM Accounts.

The management fees, performance-based fees and special allocations applicable to certain investors in an FTIM Fund or Separate Account clients, including employees, affiliates and related parties of FTIM as well as third parties, may be waived or modified down without entitling any other investors to a waiver or modification.

Depending on the terms of investment, investors in the FTIM Funds may withdraw all or a portion of their investment, subject to certain minimum dollar requirements (in FTIM's discretion), effective as of the beginning of a particular quarter with prior written notice (depending upon the terms of the particular FTIM Fund). A Separate Account agreement (if applicable) is terminable as mutually agreed by the parties or as specified in the relevant agreement. Upon termination of any Separate Account or an FTIM Fund, any prepaid, unearned fees (if applicable) are expected to be promptly refunded, and any earned, unpaid fees are expected to be due and payable.

FTIM's compensation is exclusive of brokerage commissions, transaction fees, custodial fees, and other costs and expenses that are incurred by an FTIM Account. Clients should expect to incur

other charges imposed by custodians, brokers, or other counterparties, as well as interest and commitment fees on loans and debit balances, research, research-related (such as travel and communications expenses) and data service costs, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Clients also bear certain operating expenses, including administration, accounting, communications including marketing/investor relations and marketing/investor relations-related costs (including travel costs), back office and middle office services and related costs, tax, legal and regulatory costs (including but not limited to FTIM's regulatory and legal costs in connection with registration and ongoing regulation as an investment manager in Singapore (with the Monetary Authority of Singapore), the United States (with the SEC) and other jurisdictions, as applicable, and including advice of counsel in connection with preparation of regulatory forms including this Form ADV Part 2A), software and technology consultant (including cloud consulting) fees and expenses, and directors' fees and expenses and other costs and expenses disclosed in the relevant private placing memorandums. With respect to the FTIM Funds, certain operating expenses (generally excluding brokerage, prime brokerage and custodian fees and costs) are subject to expense caps as disclosed in the relevant private placing memorandums.

Each FTIM Account pays its expenses directly or reimburses FTIM, as instructed by FTIM, for expenses paid on the FTIM Account's behalf or for its benefit. The expenses incurred by each FTIM Account vary depending on the nature of the operations and activities of the FTIM Account, and each FTIM Account's respective Governing Documents describe them in detail. FTIM seeks to allocate expenses attributable to the FTIM Accounts that are incurred on behalf of multiple FTIM Accounts fairly among them, in accordance with one or more allocation protocols established by FTIM from time to time. FTIM believes such allocation protocols are reasonable; however, the allocation of expenses can involve subjective determinations and conflicts of interest (e.g. allocating costs only to those FTIM Accounts which can bear them), and other reasonable options may exist that may yield different results, including results that would be more beneficial to one or more FTIM Accounts and less beneficial to FTIM. FTIM, its affiliates and FTIM Accounts derive direct and indirect benefits from these expense provision as such provisions provide for the payment of expenses (or portions thereof) that it would otherwise be required to pay entirely by itself.

See Item 12 (Brokerage Practices) below for more information about the brokerage commissions that will be incurred by clients of FTIM.

All investors in FTIM Funds should review the Governing Documents for the relevant FTIM Fund for more complete information on the fees payable, allocations deductible and expenses payable or reimbursable with respect to a particular FTIM Fund.

## **Item 6 – Performance-based Fees and Side-by-Side Management**

The FTIM Accounts charge performance fees and deduct performance-based special allocations with respect to its clients, including the FTIM Funds. Certain clients and investors may be charged different performance-based fees and special allocations or, in certain circumstances, no performance-based charges or deductions. Performance-based compensation and other arrangements based on profitability may create an incentive for FTIM to recommend investments

that may be riskier or more speculative than those that would be recommended under different arrangements. Such incentive arrangements may also create an incentive to favor higher fee-paying accounts over other client accounts in the allocation of investment opportunities.

FTIM has adopted procedures designed to ensure that all investment opportunities are allocated among clients in a manner that is fair to all clients over time, and to prevent conflicts of interest from improperly influencing the allocation of investment opportunities or otherwise resulting in any client being improperly favored over any other client. Among the factors that may be considered by FTIM in allocating trades among clients are: investment strategies, policies, guidelines or restrictions applicable to each specific client; tax considerations; cash availability; liquidity requirements for payment of redemptions or other purposes; inflows of capital; risk tolerances and risk management; restrictions under ERISA or other applicable laws or regulations; available credit lines; counterparty arrangements and availability; account size; and hedging objectives and activity. FTIM staff will periodically review investment positioning between different FTIM Accounts to help ensure that any differences in investment exposures are intentional and appropriate.

Investors in the FTIM Funds should refer to the Governing Documents of each FTIM Fund for information on performance-based compensation/incentive arrangements relating to each FTIM Fund.

## **Item 7 – Types of Clients**

FTIM provides portfolio management services to the FTIM Funds, which are organized as foreign corporations and partnerships, and to an institutional Separate Account. Investors in the FTIM Funds include endowments and foundations, pension funds, fund of funds, family offices, high net-worth individuals and other privately placed pooled investment vehicles. A U.S. investor must be an “accredited investor” as defined in Regulation D under the Securities Act of 1933, as amended, and a “qualified purchaser” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “Investment Company Act”). The FTIM Funds are offered exclusively pursuant to an exemption under Section 3(c)(7) of the Investment Company Act, and are therefore not required to register as investment companies under the Investment Company Act. There are minimum investment amounts which are disclosed in the Governing Documents for each FTIM Fund which vary from \$1 million to \$50 million and FTIM is able to waive such minimums subject to compliance with applicable law or regulation on such matters. For the institutional Separate Account (and any other separate accounts) there is minimum of \$25,000,000 but such minimum can be waived in FTIM’s discretion.

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

FTIM’s overall goal is to apply comprehensive bottom-up analysis and risk management techniques to investing in Asia Ex Japan companies and markets. FTIM presently manages client accounts using two different strategies: long-only and long-short. Both strategies invest in substantially the same securities in their long portfolios, although, due to investment parameters

and other considerations, the level of concentration in individual positions between the two strategies is expected to differ, and some differences in long investments may occur from time to time, while only the long-short strategy also invests in short positions.

FTIM manages the long portfolios by investing, principally but not solely, in equity and equity-like securities of Asia Ex Japan public companies, securities traded publicly in Asia Ex Japan securities markets, and derivatives representing or related to such securities. For the long positions, FTIM seeks to invest in industry leading growth companies that are believed by FTIM to be capable of generating reasonably high returns on capital employed and to have attractive medium to long term structural characteristics at the right price. FTIM also believes that some of the most compelling risk-reward investment opportunities are in smaller and less liquid public companies which are often not as well followed by institutional investors and other market participants. Portions of the long portfolio, subject to the different investment parameters stated in the Governing Documents of each FTIM Fund (or, with respect to the Separate Account, similar documentation governing the relationship), are thus invested in these companies.

For the long-short strategy, the overall goal for the short portfolio is to find companies that face structural or cyclical headwinds and constrained balance sheets. FTIM divides individual shorts into two categories: tactical shorts and structural shorts. Structural shorts are those shorts which are believed to have long term problems, while tactical short theses are primarily driven by short term catalysts.

To establish portfolios of long and short positions, each of FTIM's senior investment professionals is expected to follow a universe of companies that they understand well, with the group's universe totaling in the range of 250 stocks. This universe evolves over time, with around 20% of it (approximately) being replaced every year (typically) and is approximately equally divided between longs and shorts. The longs tend to be "best of breed" companies, that are considered to have the potential for high returns on capital employed, superior management quality and in businesses with relatively high entry barriers, while the companies in our short universe are generally considered to have lower returns on capital employed, lagging industry positions and to be in relatively low entry barrier businesses.

The FTIM investment team analysts, working with Mr. Rajesh Sachdeva (the portfolio manager and founder of FTIM), are expected to commit substantial work to each investment idea, including cultivating contacts with multiple levels of management, peers and related companies, being on top of sell side and consensus thinking on the position, maintaining models on most longs and many of the shorts, and otherwise determining whether the investment thesis is well enough developed so that, if the pricing of the position provides a disparate risk reward opportunity, a position may be initiated.

FTIM's principal investment resource is its fundamental analysis prepared by its investment team. FTIM's investment team members use information from a variety of sources for their research, including professional financial data sources, company reports and websites, third party and broker-dealer research and the media. These may be supplemented by meetings with company personnel, attendance at analysts meetings and conferences, visits to portfolio companies, public



filings and reports made by issuers outside and in the United States, general industry knowledge, and contacts with other participants in the relevant industry and financial markets.

All investments involve risk of loss. The risk management techniques that may be utilized by FTIM will not provide any assurance that FTIM's clients and investors in the FTIM Funds will not be exposed to risks of significant investment losses. Consequently, an investment in an FTIM Account should only be made by experienced and sophisticated investors who are able to bear the risk of the loss of all or part of their investment. The principal risks of loss include the following:

***Dependence on Management.*** FTIM's success depends on the skill and acumen of Mr. Rajesh Sachdeva, the founder of FTIM who manages the FTIM Accounts' portfolios. If Mr. Sachdeva should cease to participate in FTIM's activities, its ability to select attractive investments and manage the FTIM Accounts' portfolio could be severely impaired.

***Investment Strategy.*** FTIM's strategy can be considered speculative in that FTIM will seek to anticipate movements in the price level or volatility of individual securities, market segments and the financial markets as a whole and to position investments to benefit from such expected movements. Successful implementation of this strategy requires accurate assessments of general economic conditions, the prospects of individual companies or industries, and the future behaviour of other financial market participants, which is very unlikely to be fully achieved by FTIM in many circumstances. The direction of the financial markets is often driven by unforeseeable economic, political and other events and the reaction of market participants to these events.

***Information Sources.*** FTIM selects investments based in part on information and data filed by the issuers of such securities with various government agencies or made directly available to it by the issuers or by others. FTIM cannot confirm the completeness, genuineness or accuracy of such information and data, and, in some cases, complete and accurate information is not readily available. This is particularly true in the emerging markets where FTIM invests, which may not have as stringent standards of financial and other reporting or as thorough government oversight of such reporting as would be the case in more developed markets.

***Volatility in Investing in Asian Securities.*** Many of the Asian securities markets are emerging markets that have, and probably will have, higher levels of price volatility and variability in stock liquidity than markets in the United States or Western Europe. FTIM believes many global investors make Asian investments (in hedge funds, other pooled vehicles or by direct investing) to increase their volatility exposure. The timing of these investment flows in and out of Asian markets often has a disproportionate impact on markets and stocks at different times during market cycles. Currency risks involved in investing in many markets with non-U.S. currencies while the FTIM Accounts are themselves denominated in U.S. dollars further increases volatility risks significantly.

***Investment Risks.*** FTIM invests most its investment capital in securities. Markets for such securities in general fluctuate and the market value of any particular position may vary substantially. Securities may be or become thinly traded or may cease to be traded. Securities may also be subject

to restrictions on resale. In addition to being illiquid, securities that FTIM purchases may be issued by unseasoned companies, and positions in them may be highly speculative.

***Economic and Political Risks.*** FTIM invests in a number of emerging markets in Asia, which may be or may prove to be economically or politically unstable. Changes in economic and political conditions, including, for example, interest rates, credit availability, inflation rates, industry conditions, government regulation and policies, legislation regarding foreign ownership, the possibility of nationalization and expropriation of assets, competition, technological developments, trade relationships, political, military, terrorist and diplomatic events and trends, tax and other laws, and innumerable other factors, can affect FTIM's investments and prospects materially and adversely. None of these conditions is within FTIM's control, and we may not anticipate these developments. These factors may affect the volatility of securities prices and the liquidity of investments.

***Short Sales (applicable to the long-short strategy only).*** A short sale involves the sale of a security that the seller does not own. In order to complete a short sale, the short seller must borrow the security sold in order to make delivery to the buyer. A short sale will result in a loss if the price of the securities or option sold short increases. Any gain is decreased, and any loss is increased, by the amount of any payment, dividend or interest that the borrower is required to pay with respect to the borrowed securities. In a generally rising market, short positions may be more likely to result in losses because securities sold short may be more likely to increase in value. A short sale involves a finite opportunity for appreciation, but a theoretically unlimited risk of loss.

***Derivatives.*** FTIM may from time to time, based on the investment guidelines applicable to each FTIM Account, cause clients to invest in derivative instruments such as swaps, futures, warrants and options. Derivative instruments are subject to various types of risk, including market risk, liquidity risk, counterparty credit risk, legal/regulatory risk and operations risk. The risks of these instruments are used further and significantly increased by the amount of leverage that is often inherent in the instruments.

***Concentration Risk.*** Concentration of investment in a relatively limited number of industries and investments may tend to result in more rapid changes in the value of a portfolio, upward or downward, than would be the case if the portfolio were more widely diversified.

Prospective investors and investors are advised to review the applicable FTIM Fund private placing memorandum for a more extensive description of the risks of investing in the FTIM Funds.

## **Item 9 – Disciplinary Information**

We do not believe that there have been any legal or disciplinary events that are material to our advisory businesses or the integrity of our management.

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

FTIM claims an exemption from registration as a commodity pool operator with the U.S. Commodity Futures Trading Commission (“CFTC”) under CFTC Regulation 4.13(a)(3). FTIM and its affiliates are not engaged in any other activities in the financial industry. The 2 directors of FTIM each serve as directors (or equivalent) of each of FTIM Funds.

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

FTIM has adopted a Code of Ethics (“Code”) pursuant to SEC Rule 204A-1 under the Advisers Act which is incorporated in FTIM’s compliance manual that applies to all employees, directors or officers of FTIM. The Code describes our standards of business conduct and fiduciary duties to our clients and was created to limit potential conflicts of interest, prevent the inappropriate use of material nonpublic information, and monitor personal securities trading by employees, among other things.

The Code is based on the underlying principles that:

- Employees must at all times place the interests of clients first;
- Employees are required to conduct all personal securities transactions in accordance with the Code;
- Employees should not take inappropriate advantage of their positions; and
- Employees are required to report any violation of the Code.

FTIM or its related persons may invest in the same securities (or related securities, such as warrants, options or futures) that FTIM or a related person purchases for the FTIM Accounts. Such practices may present a conflict where, because of the information FTIM has, FTIM or its related persons may be in a position to trade in a manner that could adversely affect the FTIM Accounts (for example, by placing their own trades before or after FTIM Account trades are executed in order to benefit from any price movements due to the FTIM Accounts’ trades). In addition to affecting FTIM’s or its related person’s objectivity, these practices by FTIM or its related persons may also harm the FTIM Accounts by adversely affecting the price at which the FTIM Accounts’ trades are executed. FTIM has adopted certain procedures in an effort to minimize such conflicts: FTIM requires its access persons to preapprove with the Chief Compliance Officer (or other personnel under delegated compliance authority) all transactions in their personal accounts, including those involving securities owned by a FTIM Account and initial public offerings. The Chief Compliance Officer (or delegate) may deny permission to execute the transaction if any of them believe such transaction will have any adverse economic impact on one or more of the FTIM Accounts, including if the proposed transaction is a purchase within 7 days of a purchase in the same securities by an FTIM Account. In addition, the Code prohibits FTIM or its access persons from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer. All of FTIM’s related persons are required to disclose their securities transactions on a quarterly basis and holdings on an annual basis. All of

FTIM's related persons are also required to provide a quarterly certification of such transactions. Trading in employee accounts will be reviewed by the Chief Compliance Officer (and/or delegate(s)), compared with transactions for the FTIM Accounts and reviewed against the restricted securities list.

The Code also includes provisions relating to FTIM's fiduciary duty, conflict of interest disclosure, and reporting and required approvals of certain gifts, political contributions and outside business activities by employees. All employees of FTIM must acknowledge the terms in the Code upon joining FTIM and then annually, or as amended.

FTIM, its principal and several employees and their related persons are investors in many of the FTIM Funds and will share in any profits and losses generated by the FTIM Funds.

FTIM will provide a complete copy of its Code to any client, investor or prospective investor upon request.

## **Item 12 – Brokerage Practices**

Subject to the investment parameters and objectives, policies and restrictions of each FTIM Account, FTIM ordinarily has the discretionary authority to determine the type, amount, and price of securities and investments to be bought and sold on behalf of each FTIM Account, including the selection of, and commissions paid to, brokers.

FTIM allocates portfolio transactions for the FTIM Accounts to securities brokers based on best execution and in consideration of such brokers' provision of, or payment of the costs of, certain services that are of benefit to FTIM, its affiliates and FTIM Accounts. In particular, FTIM may consider a number of factors in selecting a broker for any transaction or series of transactions, such as access to research and industry conferences, access to companies and brokerage and investment industry analysts and other professionals, net price, clearance, settlement, reputation, financial strength and stability, efficiency of execution and error resolution, special execution capabilities (including ability to provide access to restricted markets, such as China A securities), block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, offering to FTIM on-line access to computerized data regarding the FTIM Accounts, computer trading systems, the availability of stocks to borrow for short trades, client referrals (described further below), and other matters involved in the receipt of brokerage services generally. FTIM may also purchase from a broker or allow a broker to pay, or reimburse the FTIM Accounts or FTIM, for certain research services, economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, research and industry conferences, assistance in accessing, and covering costs of accessing, various securities markets, general reports, periodical subscription fees, consultants' fees, performance, risk and exposure measurement data, trade execution analytics, on-line pricing, market data and news wire costs and charges (including leased line charges), various types of data processing charges, quotation services, computer software (such as research management systems, trade order and settlement management systems and software that facilitates the analyzing of the availability and rates for stock borrows from different brokers (and related matters) or aggregated performance, risk and exposure measurement

across the FTIM Accounts and stock portfolios within one or more of the FTIM Accounts) and related consulting/support services, and the like (a “soft dollar” relationship), any or all of which benefit the FTIM, its affiliates, the FTIM Accounts and in each case whenever such costs are incurred. FTIM may receive soft dollar credits based on principal, as well as agency, securities transactions with brokerage firms or direct a brokerage firm that executes transactions to share some of its commissions with a brokerage firm that provides soft dollar benefits to FTIM, its affiliates, and/or the FTIM Accounts. With respect to certain services that are used for both research and non-research purposes, FTIM may (but is not required to) allocate the costs of such products between their research and non-research uses, and use soft dollars to pay only for the portion allocated to research uses.

FTIM may cause the FTIM Accounts to pay a brokerage commission in excess of that which another broker might charge for effecting the same transaction in recognition of the value of the brokerage, research and other services and soft dollar relationships. Although FTIM believes that each of the FTIM Accounts will benefit from services obtained with soft dollars generated by such FTIM Account’s trading, the FTIM Accounts do not benefit exclusively. FTIM, its affiliates and other FTIM Accounts may also derive direct and indirect benefits from some or all of these services generated from a particular FTIM Account’s trading commissions, particularly to the extent that FTIM uses “soft” or commission dollars to pay expenses that it would otherwise be required to pay itself. These benefits may be available for use by FTIM or its affiliates in connection with transactions in which particular FTIM Accounts do not participate. FTIM may also (subject to seeking best execution) direct FTIM Accounts’ brokerage transactions to brokers who refer prospective investors, or have referred existing investors, to one or more FTIM Accounts, although FTIM has no obligation to do so. The direction of brokerage to a broker in exchange for investor referrals may create a conflict of interest in that FTIM has an incentive to refer the FTIM Accounts’ brokerage business to brokers to which it might not otherwise direct its brokerage transactions.

FTIM generally considers the amount and nature of research, execution and other services provided by brokers, as well as the extent to which the FTIM Accounts rely on such services, and attempts to allocate a portion of the brokerage transactions of the FTIM Accounts on the basis of that consideration. Different aspects of the investment, information and other services received from brokers may be used by FTIM in servicing all of the FTIM Accounts, but it may not use all such information and services in connection with any particular FTIM Account. FTIM believes that allocating brokerage transactions in this manner helps each of the FTIM Accounts to obtain research and execution capabilities and provides other benefits to each of the FTIM Accounts.

The relationships with brokerage firms that provide soft dollar services to FTIM and its affiliates may influence FTIM’s judgment in allocating brokerage transactions and create a conflict of interest in using the services of those brokers to execute the FTIM Accounts’ brokerage transactions. The brokerage fees paid by the FTIM Accounts benefit FTIM at the expense of the FTIM Accounts to the extent that soft dollars are used to pay expenses that are not otherwise reimbursable by the FTIM Accounts. FTIM believes that these relationships are beneficial to each of FTIM and the FTIM Accounts, but FTIM’s transactions executed through these firms or any other brokerage firm may or may not be at the best prices otherwise available. FTIM currently expects the FTIM Accounts to use soft dollar credits created by broker commissions only for “research and execution” services of the type considered to be within the safe harbor under Section 28(e) of the Exchange Act.

The prime brokers and custodians to certain of the FTIM Funds have been retained to serve as prime brokers and custodians, and may in the future act as prime brokers and custodians for other FTIM Accounts. The services that the prime brokers and custodians provide include custody, margin financing, cash sweep and other cash management services, clearing and settlement, stock borrowing, capital introduction services, middle office services, various client portfolio reporting and information management, trade execution analytics and analysis and business (including middle office) and information technology consulting and related services. The FTIM Funds and potentially other FTIM Accounts pay the prime brokers and custodians for some of these services, such as stock borrowing, but many of the services are provided without charge. While a number of the services provided by the prime brokers and custodians benefit the FTIM Funds that pay them, as well as FTIM and potentially other FTIM Accounts, some of the services, such as capital introduction services, arguably primarily benefit FTIM while other services (such as custody services provided to one or more FTIM Accounts) may benefit (or disproportionately benefit) certain FTIM Accounts and not others. FTIM believes the services it receives from the prime brokers and custodians are generally comparable to those services provided by many prime brokers/custodians to other similarly situated investment advisers or otherwise defray expenses that are the responsibility of the FTIM Accounts. Nevertheless, if FTIM did not receive these services from the prime brokers/custodians, FTIM would be required to pay for all or some portion of them. FTIM is not required to continue to use any particular firm as a prime broker or custodian or direct a particular number of trades to any prime broker or custodian, but it has an incentive to maintain the relationship with the prime brokers and custodians based on such firms' prior and continued provision of services.

Unless otherwise agreed to between FTIM and an FTIM Account, FTIM may aggregate sale and purchase orders of securities held or purchased by individual FTIM Accounts with similar orders being made simultaneously for other FTIM Accounts unless, in FTIM's judgment, such aggregation is reasonably likely to not result in an overall economic benefit to the FTIM Accounts in the aggregate, based on an evaluation that the FTIM Accounts are benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of securities for an FTIM Account is effected contemporaneously with the purchase or sale of like securities for other FTIM Accounts. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, FTIM may cause a particular FTIM Account to be charged or credited the average price of securities purchased or sold in such transactions. As a result, however, the price may be less favorable to particular FTIM Accounts than it would be if similar transactions were not being concurrently executed for other FTIM Accounts.

Unless otherwise agreed to between FTIM and an FTIM Account, FTIM may cause one or more FTIM Accounts to buy or sell securities directly from or to one or more other FTIM Accounts (a "cross trade"), if FTIM determines that a cross trade is in the interests of the parties participating in the trade. Cross trades may be effected for various reasons, including adjusting exposures between FTIM Accounts managed with the same general strategy, raising cash for the selling FTIM Account, liquidating the selling FTIM Account, accommodating withdrawals, realizing a tax gain or loss for the selling FTIM Account, building a position in the security for the purchasing FTIM Account, and lowering the tax basis in the security for the purchasing FTIM Account. FTIM determines the buying and selling parties to a cross trade based on an evaluation of which FTIM Accounts' strategies and particular needs are best served by the cross. FTIM crosses at a determined price, which is generally

at the market price and within the day's trading range. Cross trades raise certain conflicts of interest; for example, when effecting a cross trade between two or more FTIM Accounts with different fee structures, FTIM has an interest in improving the returns on the FTIM Account(s) that pay a higher performance-based fee to FTIM. However, FTIM recognizes its responsibilities to all FTIM Accounts, and FTIM monitors all cross trades to ensure that they are effected only in the interests of the affected FTIM Accounts.

FTIM's investment and trading program can involve frequent and active trading, and short-term market considerations may be involved. The turnover of FTIM's portfolios for the FTIM Accounts (and the concomitant brokerage, custodial and other transaction costs and expenses) may be greater than the turnover rates (and transaction costs) of many other types of investment vehicles.

Unless otherwise agreed to between FTIM and an FTIM Account, FTIM will not ordinarily be responsible for losses resulting from trade errors in FTIM Accounts, whether caused by the actions of FTIM or unrelated third parties, unless caused by the gross negligence, fraud or willful misconduct of FTIM. Accordingly, FTIM will not ordinarily be responsible for the consequences of ordinary trade errors, unless caused by the gross negligence, fraud or willful misconduct of FTIM.

### **Item 13 – Review of Accounts**

To ensure conformity with investment guidelines and objectives, all accounts are reviewed on a daily, monthly and quarterly basis. On a daily basis, the investment team monitors all account activity, including positions, exposures, trading activity and profit and loss ("P&L"). FTIM's business team members perform various control procedures to ensure that all account activity, positions (if there are trades at the counterparty) and cash and P&L are reviewed and reconciled.

On a monthly basis, the administrator for each FTIM Fund calculates the net asset value of the fund, subject to reconciliation, review and approval by the FTIM business team. FTIM monitors the activities of the fund administrator and reviews and approves the monthly net asset value prepared by the administrator.

For all accounts, FTIM periodically (and at least annually) reviews account activity, trade allocation, operational control and compliance monitoring, commission allocations and use of brokers, soft dollars and independent research providers, financing rates, counterparty risk and valuation.

The administrator of each FTIM Fund provides investors with written monthly statements detailing their account information. FTIM provides clients and investors with monthly reports including performance, commentary, exposures, positions, and other portfolio characteristics. Investors also annually receive tax statements and audited financial reports for their respective FTIM Fund after the end of each fiscal year end.

## **Item 14 – Client Referrals and Other Compensation**

FTIM or its affiliates from time to time enter into arrangements with third parties whereby FTIM or its affiliates will pay to third parties who introduce clients or investors to FTIM or its affiliates a portion of the management fees and or performance fees/special allocations received by FTIM or its affiliates or funds from such clients. Such arrangements will be disclosed to FTIM's clients and investors in accordance with, and otherwise comply with, Rule 206(4)-3 under the Advisers Act to the extent applicable.

## **Item 15 – Custody**

Funds and securities for all client accounts, including the FTIM Funds, are held by qualified custodians.

Separate Account clients should receive at least quarterly statements from the custodian for the account. FTIM urges you to carefully review such statements and compare such official custodial records to account statements that we may provide you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Investors in the FTIM's Funds receive monthly reports from FTIM and the FTIM Funds' administrator and annual audited financial statements.

## **Item 16 – Investment Discretion**

Subject to the investment objectives, policies and restrictions of each client, FTIM ordinarily has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each client, including the selection of, and commission paid to, brokers. FTIM's discretionary authority is established with respect to each of the FTIM Accounts by investment management agreements or management agreements entered into by FTIM with the respective FTIM Accounts.

## **Item 17 – Voting Client Securities**

FTIM has adopted a proxy voting policy, as required by the Advisers Act. Our proxy voting policy ensures that we will act in the best interest of our clients in determining whether and how to vote on any proxy voting matter. Votes on all matters are determined on a case-by-case basis and consideration is given to both the short-term and long-term implication of the proposal to be voted. FTIM monitors proxy voting for conflicts of interest. In the event of a material conflict of interest, FTIM may seek a third-party or client recommendation for voting.

Upon request (which should be directed to [admin@ftimgmt.com](mailto:admin@ftimgmt.com)), FTIM will provide a copy of its proxy voting policy and information on how the proxies were voted for a client's account.



## **Item 18 – Financial Information**

FTIM has no financial commitment that should impair its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.