



## **Hunter Lewis LLC BROCHURE**

Hunter Lewis LLC  
4803 Mount Air Farm, Crozet VA 22932

Telephone 434-996-0370

Website: [www.hunterlewisllc.com](http://www.hunterlewisllc.com)

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This Brochure provides information about the qualifications and business practices of Hunter Lewis LLC. If you have any questions about the contents of this Brochure, please contact:

[info@hunterlewisllc.com](mailto:info@hunterlewisllc.com) or call 434-996-0370.

The contents of this Brochure have not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

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

Registration with the SEC does not mean or imply that the SEC or any other agency of the United States government or any state regulatory agency has reviewed or approved of the registered investment adviser's abilities or qualifications, nor does it imply a certain level of skill or training.

## **Item 2 – Material Changes**

There have been no material changes to the firm brochure since the last annual updating amendment, which was filed on January 13, 2022.

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## Item 4 – Advisory Business

### Summary

Hunter Lewis LLC (referred to as “we,” “our,” or “us” below) is a privately-owned investment advisory firm that is registered with the Securities and Exchange Commission (“SEC”) as a registered investment adviser. Our firm was founded by Hunter Lewis on July 30, 2018, and is 100% owned by the Hunter Lewis 2013 Trust. We became a registered investment adviser in 2019 and opened our doors to outside clients in 2020. We serve endowed institutions, private clients, and pension plans by offering financial and investment advisory services (which are discussed in more detail in the following pages).

### The Firm

#### Our Philosophy

We believe there are investment principles that stand the test of time. In contrast, investment strategies must be evaluated and adapted as economic circumstances change.

Hunter Lewis, our founder and Chief Executive Officer, is best known as the co-founder of Cambridge Associates LLC where over the last four decades he co-invented and further developed (along with his colleagues and clients, especially Yale) what became known as the American University investment model, which has been widely emulated around the world. Despite our founder’s previous history in the investment management industry, we are not committed to this or any other investment strategy.

Our firm is committed to rethinking, modifying, or if necessary replacing many of the investment strategies used in today’s markets – particularly those strategies that have been very successful in recent years. In rethinking strategies, particular care must be taken to separate good new ideas from what are essentially fads that may have serious unintended consequences for investors.

Hunter Lewis’ history in helping to create the American University investment model does not guarantee that we will be successful in developing or implementing investment strategies for our clients. We believe, however, that his knowledge and experience, combined with that of our other employees, will help us to work with our clients to develop and implement investment strategies and plans that meet our clients’ needs.

We also recognize that no investment is completely safe. Even cash, which many investors think is free from risk, is subject to inflation and other risks. We will seek to help our clients reduce their investment risk by constructing diversified investment portfolios, by seeking the best pricing available for our clients’ securities transactions, and by watching other costs. Although all investing involves significant risk, we will work with our clients to make sure they understand the risks of their investments and attempt to minimize those risks wherever we can.

Our approach will combine a broad-based focus on developing a client’s overall investment strategy with a detail-oriented approach to executing that strategy. We believe that adhering to proven principles and modifying an investment strategy as needed is likely to be the most important

contributor to investment success over time. Other important components of a successful investment program are asset allocation, security selection, and (as noted above) cost control.

### More on Our Firm

- *Cost-conscious Investing.* We believe in watching every penny of investment costs for our clients in order to keep costs as low as possible. Investment costs may not appear to have a dramatic impact on a single year's return, but over time they add up and may have a tremendous impact on what a client ends up with after many years of investing. Consequently, we try to keep our fee as low as possible and also to help our clients keep their total investment costs as low as possible.
- *Conflict-averse.* Investment advisers are legally required to put the interests of their clients first. If the interests of an adviser's clients diverge from its own interests, the adviser must at a minimum disclose the potential conflict of interest and how it plans to control the conflict. Our firm believes that conflicts of interest will severely interfere with our ability to serve our clients to the best of our ability and earn the highest possible returns for them over the long term. We will strive to avoid conflicts of interest, as discussed below under "Two Client Options" and as set forth in our Code of Ethics (discussed below), where we have developed an internal policy to help us address any potential conflicts that may arise.
- *Two Client Options.* In our opinion, if a firm offers several services, and some are higher priced than others, this creates a potential conflict of interest. If some services are higher priced than others, it is too easy to justify why a client needs the higher-priced services. Our firm attempts to control this important conflict by offering clients just two options: a) a financial and investment plan/strategy review and b) an investment management service, which includes both the development and the implementation of a client-specific investment plan. Regardless of the option chosen, all services are included for a single fixed fee. This is further explained below.
- *Risk-focused.* Even cash can melt away from inflation or negative interest rates or evaporate in a moment of monetary collapse. No asset class is safe. Nor can the risk of catastrophic loss be captured adequately by a mathematical equation. Fortunately, each asset class has a role to play in protecting you as well as in growing your portfolio. Risk is part of life and cannot be avoided. We believe that understanding risk is our clients' best protection. We will work with each client to develop a risk management approach that is right for the client and, for our investment management service clients, implement that approach as well.
- *Independence.* Our independence is important to us. We are not owned by or affiliated with banks, brokers, other financial firms, other companies, or a broad group of public equity holders. In our opinion, this helps us work solely for our clients, without being pressured to steer our clients' business to industry affiliates or meet the earnings expectations of equity holders. We also believe our independence helps us remain long-term investors, forging our own path for our clients rather than "following the crowd."

- *Long-term Orientation.* In our experience, the investment world often speaks of long-term investment but does not always practice what it preaches. Our philosophy focuses on creating long-term returns for our clients, and we will manage our client's portfolio with this time horizon in mind.
- *Global Orientation.* We invest all over the world, allowing our clients to access multiple markets and further diversify their portfolios.

## Our Services:

### *Overview of Our Services*

We can assist our clients in any aspect of portfolio management. At the outset of our relationship with a client, we will discuss the client's needs and determine which of the following services we will provide:

- *Investment Strategy.* We develop (or evaluate and adjust) a financial and investment plan. In developing a financial plan for endowed institutions, we utilize our specialized knowledge of the finances of universities, foundations, museums, medical centers, arts organizations, and many other endowed institutions. Investment plans will include the following:
  - An investment objective (taking into account the client's financial circumstances and goals);
  - A broad investment strategy;
  - An appropriate asset allocation;
  - An appropriate investment management plan.
- *Investment Management.* In addition to developing a financial and investment plan with the client, we also help implement it, either on a non- discretionary, semi-discretionary or discretionary basis (as discussed in more detail below).

### *Additional Information Regarding the Elements of Our Client-Specific Investment Plans*

In developing a broad investment strategy for our clients, we typically consider:

- The role and use of different asset classes;
- Risk control techniques;
- Management techniques.

We may also consider other collateral issues when establishing a client's broad investment strategy, such as:

- Investment committee composition and process;
- Investment fees and costs;
- ETF issues;
- Leverage at different levels of the portfolio;
- Counter-party risks;
- Tail risks;

- Best practices for investment risk control;
- Risks related to short term liability management.

Asset allocations that we develop for our clients may include a number of diverse asset classes, including but not limited to the following:

- U.S. marketable equities;
- U.S. index equities;
- U.S. marketable fixed income securities;
- U.S. index fixed income securities;
- global developed marketable equities;
- global developed index equities;
- global developed marketable fixed income securities;
- global developed index fixed income securities;
- global emerging market equities;
- global emerging market index equities;
- global emerging market fixed income securities;
- global “frontier” market equities;
- global “frontier” market index equities;
- global “frontier” fixed income securities;
- private equity;
- venture capital;
- real estate, including REITs;
- timberland, including REITs;
- other natural resource investments;
- precious metals;
- hedge funds.

In developing a specific investment management plan, we will review with clients the benefits and risks of three broad management approaches:

- Direct Investing. Security purchases and sales are handled directly by the client, by the client with our assistance, or by us on the client’s behalf, in each case consistent with strategies approved by the client. When we have discretionary authority, we will generally conduct all securities transactions in separate accounts maintained for the client. This is likely to be the lowest cost alternative because the client will not be required to pay any additional fees to us nor any additional fees for external managers.
- External Managers. Security purchases and sales are handled by external investment management firms. Using this approach, we will help the client develop an investment management plan, then also assist in engaging external investment advisers to implement the plan under our oversight. This is likely to be the most expensive management approach, as each external manager engaged will charge the client a separate fee.

- Some of Both. This approach combines the direct and external management outlined above. Total investment fees are likely to be higher than the direct investing approach but lower than the external manager approach.

As discussed below under “Fees and Compensation,” our management fee will be the same, regardless of which management approach the client chooses. We believe this will ensure that our advice on this critical matter is neither influenced nor tainted in any way by our compensation. Our role is to offer the best possible advice to the client and then let the client decide on the management approach.

In choosing external managers for clients, we will attempt to find advisers who provide high-quality advice for reasonable fees. We will generally avoid multi-manager funds or fund of funds for a variety of reasons, including their high cost. Similarly, we will not sponsor or manage any such funds for these same reasons.

#### *Investment Discretion and Custody*

If a client engages us to implement the overall financial and investment plans that we develop (including an investment objective, a broad investment strategy, an asset allocation plan, and an investment management plan), we will implement the plan on either a:

- Non-discretionary basis: we provide investment recommendations; however, the client ultimately makes its own investment decisions and generally executes its own securities transactions;
- Semi-discretionary basis: we are granted authority to make investment decisions for the client; however, the client will be required to authorize each security transaction we implement on its behalf;
- Discretionary basis: we are granted authority to make investment decisions and to transact on the client’s behalf without prior authorization from the client.

We do not generally take physical custody of client assets, although we may be deemed to have custody of certain emerging market investments, and as further discussed below under “Custody,” we may be deemed to have custody of our client’s assets for certain purposes under the Investment Advisers Act of 1940.

#### *Additional Services Available to Clients*

We offer three optional advisory services to our clients at no additional fee:

- “Impact” or “conscious investing” designed to achieve specified social goals in addition to earning the best possible return at a given level of risk;
- Philanthropic advisory services for private clients;



- Assistance in obtaining from third parties other miscellaneous investment management services requested by the client, such as bill paying, bookkeeping, accounting, legal, and purchasing of non-financial products and services.

By including these optional services within our fee, clients can decide for themselves whether they want these services without worrying that we are recommending these services in order to increase our fees. For more information, please see “Fees and Compensation” below.

### Regulatory Assets Under Management

As of August 26th, 2022, our discretionary assets under management were \$208,800,000.

This figure (rounded to the nearest \$100,000) is based on the net asset value of our clients’ securities as reported to us by their respective custodians.

As of August 26th, 2022, we did not have any assets under management in a non-discretionary capacity.

## **Item 5 - Fees and Compensation**

The fees we receive from our clients represent our only income. We do not receive any compensation from anyone other than our own clients.

Our firm charges either a project fee or an annual fixed dollar fee for all services. This fee is set client-by-client and may be affected by the scope and complexity of the services requested, account size, type of client, whether the client has an existing investment office, location, or other factors. Our goal is for all client investment costs, including our fee, to represent less than 1% of client investable assets placed under our care. Discounted fees apply for our company founder, foundations established by our founder (we may perform our services without charge to certain foundations, to avoid any suggestion that our firm is benefiting financially from a pre-existing relationship with a non-profit foundation established by our founder), or our employees, and may apply to other clients with personal relationships with our founder, such as friends and relatives.

An initial project fee or annual fixed dollar fee will be billed quarterly in arrears. Clients beginning during a quarter will have their first bill prorated. The billing schedule for project fees will be discussed with the client at the outset of our relationship and reviewed as necessary during the course of our engagement. Depending on the scope and duration of our engagement, project fees may be billed at specified intervals, upon the completion of certain milestones or at the end of the project. The annual fixed dollar fee may increase in future years by up to 5% per year with prior notice to the client. As discussed below, clients need not accept any such increase and may terminate our services, without fee or penalty, on thirty days’ notice. There may be circumstances in which we propose to increase the fee by more than 5% per year, in which case we will ask the client for prior written consent.

We believe that the predictability and stability of our fixed fee arrangement are advantageous for both our clients and our firm. Percent of assets fees mean that an investment manager's revenue can rise or fall sharply at any time. Knowing that fees may plunge along with the market has the potential to create an incentive for the investment manager to set its fee very high to start, so that even after a sharp market fall there is enough revenue to cover expenses. Possibly as a result, profit margins of investment management firms have historically been very high, and if the market rises, these high profit margins just expand further. Historically, asset values in the U.S. have risen more than they have fallen, so a percent of assets fee has increased the profits of investment managers which have survived the ups and downs.

There have, however, been times in the past when fees paid by clients to investment managers have fallen because of declining market values. In this case, clients would pay more with our fixed fee than they would with a percent of assets fee, at least until markets have recovered.

By offering a fixed dollar fee, we intend both to make it possible for us to keep our fee as low as we can, because high fees are a serious impediment to good long term results for our clients, and also to create a more predictable situation for both our clients and ourselves. We also believe that this predictability and stability, in particular not having to worry about whether our revenues will suddenly fall below our expenses, will help us make decisions solely in the client's best interest.

Our fee is typically deducted from a client's custodial account on receipt of our bill following prior written instruction from the client. Both the client's custodian and our firm will provide quarterly statements to the client confirming withdrawals for the payment of our fees.

In addition to our fees, clients will have to pay their own brokerage, custody, and return calculation fees in connection with implementing any strategy we recommend, as well as any additional fees or expenses charged by external investment managers or service providers hired with prior authorization of client in connection with the investments we recommend.

#### Other Fees and Expenses

We may hire one or more outside firms to provide services directly to our firm and indirectly to our clients. For example, we may license financial planning software from a third-party vendor. Where such services are for the benefit of our firm as a whole, we will pay for those services directly. In those cases, we will not charge our clients for those services and we will not seek reimbursement for them.

Whenever we utilize a financial planning or other software product or any other outside product or service, we will choose products or services we believe to be reliable; however, we cannot guarantee their reliability. Nor can we guarantee the accuracy of data, including the data provided by our own clients, that may be incorporated into such software or other product or service.

In the event that we hire an outside investment manager to provide services to a client or clients, with the prior authorization of the client, we may receive the bill from such investment manager and pass it through (without any mark-up) to our client's custodian to be paid with the prior written consent of the client. Because fees of outside investment managers are typically based on a percentage of the assets managed by that investment manager, the dollar amount of such fees will

fluctuate. Any fees charged by an outside investment manager will be in addition to our own fee; however, our fee will not increase if a client has one or more outside managers as part of its program.

We are strictly financial and investment advisors. We are not primary custodians, lawyers, accountants, or return calculation vendors. Our fees therefore do not cover legal, custodial, accounting, or return calculation fees, which our clients will be required to pay to outside vendors unaffiliated with our firm. If requested, we will help our clients find suitable service providers in these fields and we will focus on controlling the costs of outside financial or investment services.

#### Termination of Investment Advisory Agreements

Our investment advisory agreements may run until the completion of a particular project or for a specified period of time, such as an initial one-year term, with automatic renewal in subsequent years assuming no change in services. If we anticipate a change in our services or a fee change in excess of 5%, we will discuss the changes with the client and update our investment advisory agreement as necessary. Either we or our clients may terminate the relationship, without any fee or penalty, at any time with prior written notice by either party; provided, however, that e-mail notice alone will not suffice for purposes of termination. Upon termination, we will bill the client for any remaining fee balances through the termination date and then close our account with the client.

#### Account Minimums

As of the date of this Brochure, not all of our clients are “qualified purchasers” (as defined in Section 2(a)(51) of the Investment Company Act of 1940) with investment funds of \$5mm or more. We also offer our services to “qualified clients” (as defined in Rule 205-3 under the Investment Advisers Act of 1940) with at least \$1.1mm of assets managed by us or investment funds of \$2.2mm or more and to clients with smaller accounts. Minimum account size requirements will be considered on a case by case basis, but our goal (see above) of keeping total client investment expenses below 1% is very important to us. Consequently, we do not usually advise clients with less than \$0.5mm of assets.

### **Item 6 - Performance-Based Fees and Side-by-Side Management**

We do not charge performance-based fees to our clients for reasons explained in our “Code of Ethics.”

### **Item 7 - Types of Clients**

As noted above, we offer services to endowed institutions, private clients, and pension plans. As of the date of this Brochure, we currently provide services to clients in the first two categories.

As noted under Fees, and as of the date of this Brochure, not all of our clients are “qualified purchasers” (as defined in Section 2(a)(51) of the Investment Company Act of 1940) with investment funds of \$5mm or more. We also offer our services to “qualified clients” (as defined in Rule 205-3 under the Investment Advisers Act of 1940) with at least \$1.1mm of assets managed by us or investment funds of \$2.2mm or more and to clients with smaller accounts. Minimum account size requirements will be considered on a case by case basis, but our goal (see Fees above) of keeping

total client investment expenses below 1% is very important to us. Consequently, we do not usually advise clients with less than \$0.5mm of assets

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

We work with our clients either to develop a new financial plan or to evaluate and fine-tune an existing financial plan. A client's financial goals and plan will be translated into investment goals and an investment plan, including establishing the client's risk tolerance and need for protections against permanent loss. If requested, we will also assist the client in implementing our recommended financial and investment plan.

In evaluating both potential return and risk, we may utilize standard analytical models. More importantly, we rely on our own analytical methods focusing on the risk of not having capital at a time when it is needed or of irrecoverable loss. As noted above, our general approach is global and long-term oriented.

We believe that the broad investment strategy adopted within the framework of a financial and investment plan will have the greatest impact on a client's ultimate returns. The specific asset allocation that flows out of the investment strategy will have the next largest impact. Nevertheless, we also recognize that the analysis and selection of individual securities in a portfolio may also play a large role in determining that portfolio's long-term returns.

Our internal security analysis is largely quantitative in nature, relying heavily on computer systems, but we may also utilize qualitative security analysis in some instances. When we recommend or select individual stocks for clients, we prefer to buy shares of companies that are well protected against loss and bankruptcy. We are not, however, limited to such companies, especially if the prices of less protected companies are more compelling. We consider financial quality, growth, value (relative prices) and other factors when selecting securities for our clients, recognizing that none of these criteria should be considered in isolation.

As noted above, we may recommend or utilize other investment managers at the client's request or where we think it is in the client's best interest. These managers may utilize active, semi-passive, or passive strategies. Our clients may ask us to review the methodologies used by, and/or the performance of, managers in a client's portfolio on whom we have not conducted any prior research of our own.

We are not a futures commission merchant or commodity trading advisor, nor do we trade derivatives for short term gain. We may, however, utilize derivatives in client accounts for hedging or risk control purposes or to gain exposure to an asset class that is otherwise not available. When we do this, we typically minimize leverage by setting aside cash not only for margin call protection, but cash equal to the full notional value of the derivatives position. We expect that derivatives bought for these purposes in this way will usually comprise less than 10% of a client's portfolio defined in notional terms.

Although we are not an accounting firm, we will work with a client's accountant on separately managed accounts to make them as tax efficient as possible.

## **Risk of Loss**

Investing in securities involves a great variety of risks, including the risk of irrecoverable loss. A great deal of our work focuses on defining, anticipating, and avoiding undesirable outcomes for our clients, but any outcome is possible and nothing can be guaranteed. Clients must make their own evaluation of the risks they are taking by implementing the investment plans we develop and be prepared to accept losses. The following risk factors are not intended to be a full or complete listing of all the risks involved in engaging us to provide investment advice or investing in securities, and clients should engage in their own evaluation of such risks before engaging us as their investment adviser:

1. Risks associated with hiring an investment firm (Hunter Lewis LLC, another external manager, custodian, broker, etc.), including but not limited to:
  - Poor asset or security advice or selection, leading to temporary or permanent loss, or even loss exceeding the value of the investment;
  - Portfolio company failure, failure of disclosure, financial failure, bankruptcy, or fraud;
  - Manager failure, financial failure, bankruptcy, fraud, or misappropriation of funds;
  - Manager failure to follow promised procedures or lack of transparency to clients with regard to procedures or fees;
  - Loss of potential return through high trading costs or fees, whether transparent or not;
  - Custodian and/or broker financial failure, bankruptcy, or fraud;
  - Specific problems relating to excessive leverage (debt);
  - Specific problems relating to the use of derivatives;
  - Not having liquid funds at the time when spending is required, which may also lead to liquidation of investments at depressed prices;
  - Restricted exit of some securities.
2. Risks associated with investing in general, including but not limited to:
  - Irrecoverable loss;
  - Price fluctuation;
  - Recessions and Depressions;

- Inflation;
- Changes in interest rates;
- Currency price changes;
- Financial system failure;
- Systemic problems relating to excessive leverage (debt);
- Systemic problems relating to the use of derivatives;
- Lack of liquidity or reasonable sale price on sale of a security;
- Inability to close short sales or close them at any reasonable price;
- Political risks;
- Trade conflict risks;
- Government solvency risks;
- Wars;
- Disease;
- Natural disasters.

History is often used to develop probabilities relating to any of the above or other risk factors, but conditions are always changing. The past will never be a reliable guide to forecasting the future.

### **Item 9 - Disciplinary Information**

None.

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

None.

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

#### **Code of Ethics**

Our firm has adopted a Code of Ethics (the “Code”). All our employees must agree each year to follow the Code as a requirement of their continued employment. We will provide a copy of the Code to clients and prospective clients upon request.

The Code sets forth the required standards of conduct for our employees, which include the following:

- a prohibition on fraudulent, deceptive, misleading conduct;
- requirements to treat our clients’ information confidentially and to treat clients equally and without favoritism;
- prohibitions on engaging in personal securities transactions with clients or effecting securities transactions between clients;
- restrictions on acceptance of gifts;
- a requirement to disclose material outside activities or relationships that might have a bearing on an employee’s investment advisory or related work or recommendations, including annual disclosure of each employee’s full portfolio of personal investment holdings and quarterly disclosure of each employee’s personal portfolio changes or political contributions.

The Code also includes our full policy regarding conflicts of interest. Under the Code, all of the following are forbidden:

- offering our clients “premium” services at higher prices beyond those already outlined in this Brochure;
- offering advice that is a disguised sales promotion of products or services, for example advising investment in an area because it generates higher revenues for the firm;
- recommending a product or service while receiving a fee from the seller of that product or service;
- receiving free services from outside vendors in return for brokerage or other benefits;
- paying fees to unrelated third parties for the referral of potential clients;

- failing to disclose all of the costs of an investment program;
- having a fee schedule that is complicated and difficult for the client to add up as a whole;
- taking undue risks to try to “save” a client relationship;
- trying to keep a client by not looking “too different” from other managers (instead of focusing appropriately on the objectives and plan of the client);
- gaming security selection against an index (if the strategy is not passive) rather than making decisions based on what is in the client’s best interests;
- steering client funds to an investment manager who is a client of ours or who is related to a client of ours (e.g. member of client’s investment committee) in order to increase the chances of our being selected or retained by that client;
- accepting as a client of our firm a manager who is being recommended to our clients, since this will raise the question of whether the manager is paying our firm in order to be selected for other clients;
- taking an affiliated account (private foundation or children’s trust) from a manager who is being recommended to our clients, for the same reason;
- charging performance fees that by their nature may encourage short term investing or excessive risk-taking or lead to favoring one client over another because of the potential for higher fees;
- trying to gain a higher allocation from managers who are closed or highly selective in taking new clients by failing to raise necessary issues (such as one-sided investment contracts or fund agreements) or otherwise engage in appropriate negotiation;
- giving higher revenue clients special treatment such as access to the “best deals;”
- otherwise favoring one client over another in the allocation of scarce but attractive securities;



- providing potentially valuable and time-sensitive information to one client and not another;
- failing to treat clients equally by selling securities or terminating managers once the firm has determined that it is in the best interest of clients to sell or terminate.

## **Participation or Interest in Client Transactions and Personal Trading**

Employees may have personal accounts which are not client accounts of Hunter Lewis LLC. It is the policy of our firm that no employee may purchase or sell any security in a transaction with a client. Nor can the employee buy or sell a security for his or her own personal account or a related party's personal account prior to a transaction in the same security being implemented by the firm for a discretionary account or accounts. This is intended to prevent any employee from benefitting in his or her own account from a transaction placed on behalf of client accounts.

The founder of the firm and other firm employees own or control, or in the future may own or control, personal or related accounts that are clients of our firm and other accounts that are not. Any such client accounts are treated like any other client account. For more information about how we trade for client accounts, please see "Brokerage Practices" below.

## **Item 12 - Brokerage Practices**

Our firm is not a broker-dealer and has no broker-dealer affiliations. When we trade for our clients, we seek the best execution at the best price. As noted above, we do not receive any commissions, "soft dollars," research, or other products or services, other than execution services, from any brokerage firm.

Some investment firms permit clients to direct brokerage to firms who will then remit funds to pay the investment firm's fee. We do not permit this practice nor do we accept such payments because it does not appear to us to be consistent with obtaining best trading execution for the client.

We have authority to aggregate purchase and sale orders for a particular security in client portfolios with orders of other clients, provided the securities bought or sold are suitable for the client. This may have advantages, for example protecting information by placing the order with only one broker, attracting larger buyers with larger orders, negotiating better prices, or reducing transaction costs. If securities are traded in this way, each client would receive the average price per share paid or received and bear a proportional share of transaction costs. There may, however, be exceptions to this procedure if, for example, a pro rata allocation to the client's account would result in the client receiving an odd lot of securities, or if the pro rata allocation would be contrary to the client's investment guidelines or liquidity considerations. In cases where only a portion of the total order is executed, allocation would also be done on a pro rata basis, subject to the same exceptions. Our firm will at all times strive to allocate investment opportunities among client accounts fairly and equitably, without favoring one client over another.

The firm has established one commingled vehicle to facilitate the management or trading of client accounts in emerging markets. Clients may also have established commingled vehicles of their own with our advice.

### **Item 13 - Review of Accounts**

Our client accounts are managed and monitored by our staff. We expect that our clients will typically receive reports from their custodians and/or return calculation specialists located outside our firm. We may also agree to provide additional reports to a client, which will be specified in the client's contract with us.

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

We do not pay or otherwise compensate anyone outside our firm for client referrals.

### **Item 15 - Custody**

We do not generally take physical custody of client assets, although as further discussed below we may be deemed to have custody of certain emerging market investments, and we may be deemed to have custody of our client's assets for certain purposes under the Investment Advisers Act of 1940.

We will advise clients on the choice of custodian and assist in setting up their accounts. We may open on the client's behalf separate bank accounts or brokerage accounts with a qualified custodian. If a separate account is opened on the client's behalf, we will promptly notify the client in writing of the qualified custodian's name, address, and the manner in which the funds or securities are maintained.

We advise an LLC which invests in emerging and frontier market securities. Clients may become members of this LLC, which is only available to clients of our firm. The use of this vehicle facilitates investment in markets which are otherwise difficult for individual clients to access. Clients pay no additional fee for the use of this investment vehicle. This LLC is held by a bank custodian, but our firm may also be deemed to have custody of these assets. An external auditor examines this LLC. Surprise examinations are conducted in accordance with Rule 206(4)-2 of the Investment Advisers Act of 1940.

Because we expect to deduct our fees directly from our clients' custodial accounts, we are also deemed in this respect to have custody over our clients' assets under the Investment Advisers Act of 1940.

Clients will receive at least quarterly account statements from their respective custodians. We urge our clients to carefully review these quarterly account statements and raise any concerns with us as soon as they are identified.

## **Item 16 - Investment Discretion**

A client choosing a discretionary relationship with us, in which we buy and sell securities on behalf of the client, will sign a discretionary investment management agreement with us. This agreement will specify the extent of our discretionary authority with respect to the client's assets, which could include acting as a custodian of client assets. Discretionary accounts will be managed in accordance with written investment plans developed with and for the client. We have developed compliance procedures designed to ensure that we are following the guidelines specified in the client's investment plan. In addition, various federal and state securities laws, applicable tax laws and other internal compliance policies may impose additional restrictions on our ability to recommend certain securities to clients.

## **Trade Errors**

Any trade errors will be brought to the attention of our chief compliance officer for review. If the error involves a loss for the client, we will promptly inform the client of the error and our plan to resolve the error.

## **Item 17 - Voting Client Securities**

We will not have proxy voting authority for discretionary and other accounts, except by mutual agreement to do so. Where we have proxy voting authority, we will seek to vote in what we consider to be the client's best economic interest. We generally vote with management unless we believe that this is not in the best economic interest of our client, or we have received specific instructions from our client. Clients that have delegated voting authority to us in separate accounts may impose additional guidelines or policies. As a result, we may vote the same proxy differently for one client versus another. If we identify a potential material conflict between our interests and those of a client with respect to a proxy solicitation, we will vote only in accordance with a client's interest and/or instructions.

Upon request, we will provide clients with copies of our proxy voting policies and will inform those clients for whom we have proxy voting authority how we voted on their behalf.

## **Item 18 - Financial Information**

In our opinion, there are not any financial conditions that are reasonably likely to impair our ability to meet our contractual commitments to clients.