

**Item 1: Cover Page**

# **Form ADV Part 2A Brochure**



## **City Different Investments**

**925 Paseo De Peralta  
Santa Fe, NM 87501  
[www.citydifferentinvestments.com](http://www.citydifferentinvestments.com)  
505-416-4550  
CRD # 310982**

**March 30, 2022**

This brochure (the “Brochure”) provides information about the qualifications and business practices of City Different Holdings LP (d/b/a City Different Investments). If you have any questions about the contents of this Brochure, please contact the Chief Compliance Officer at 505-416-4550. 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. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training. Additional information about City Different Investments is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You may search the SEC’s site using a unique identifying number, known as a CRD number. The CRD number for City Different Investments is # 310982.

## Item 2: Material Changes

Since the filing of City Different Investments' latest Form ADV Part 2A Brochure on November 15, 2021, we report the following material changes to our business:

Beginning in 2022, City Different Investments will begin to offer interests in private funds sponsored by City Different Investments. Offerings of interests in such private funds will be made only to qualified investors by private offering documents.

Previously, on November 15, 2021, we reported material changes to our business since our previous filing on July 22, 2021.

- ◆ Effective November 1, 2021, our principal office has relocated to 925 Paseo De Peralta, Santa Fe, NM 87501. Our telephone and email contact information remain unchanged.
- ◆ The account minimum for a direct client to establish a fixed-income account with us has been lowered from \$1 million to \$500,000.
- ◆ Item 8 "Risk of Loss" has been updated to reflect the risks of short selling which is used in the Long/Short Equity strategy.

Previously, on July 22, 2021, we reported the following material changes to our business since the initial filing of this Brochure on January 8, 2021:

- ◆ Our corporate telephone number has changed to 505-416-4550.
- ◆ We are now registered as an investment adviser with the U.S. Securities and Exchange Commission ("SEC"). See Item 4.
- ◆ As of April 1, 2021, we manage approximately \$195.5 million in Regulatory Assets under Management. See Item 4.
- ◆ We have entered into an agreement with Schwab Advisor Services and may enter into similar agreements with other custodians. See Items 5, 12, 14, and 15.

Aside from the material changes highlighted above, we routinely make changes throughout the Brochure to improve and clarify the descriptions of our business practices and compliance policies and procedures or in response to evolving industry and firm practices. We believe that these changes are not material changes and do not describe them in this Item 2. Upon request, we will provide clients ("you," "your") with a comparison of this Brochure against the one previously filed indicating these changes.

Going forward, City Different Investments will provide clients with a summary of any material changes to this Brochure within 120 days of the close of its fiscal year end. City Different Investments may provide additional interim disclosure about material changes, if warranted, in compliance with regulatory guidance. For a current copy of this Brochure, please contact the Chief Compliance Officer at 505-416-4550. Additional information about City Different Investments is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD # 310982.

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## **Item 4: Advisory Business**

### **Description of Firm**

City Different Holdings LP, a Delaware limited partnership doing business as City Different Investments, was formed in November 2020 to provide investment management services to high net worth and institutional clients. City Different Holdings LP is majority owned by City Different Investments, LLC, a private limited liability company formed in Delaware which is owned and managed by its members, none of whom have a majority stake in the entity.

City Different Investments is an independent, privately held investment management firm that allows investors to work, with freedom and flexibility, on strategies that excite them. We are inspired by and headquartered in the “City Different,” Santa Fe, New Mexico.

This Brochure describes the business practices of City Different Investments. As used throughout this Brochure, the terms “City Different,” “Firm,” “we,” “our,” and “us” refer to City Different Investments while the words “you,” “your,” and “client” refer to you as either a client or prospective client of our Firm.

### **Guiding Principles**

City Different is driven by four guiding principles:

- ◆ We treat our clients as partners and give them access to the people who are managing their money.
- ◆ We believe in a culture of respect and collaboration.
- ◆ We believe in a spirit of freedom and responsibility.
- ◆ We believe in a long-term approach.

### **Investment Management Services**

We offer discretionary investment management services under the terms of an investment management agreement with each client. Discretionary authority allows us to determine the specific securities, and the amount of securities, to be purchased or sold for each client without obtaining client approval prior to each transaction. We also retain discretion over the broker or dealer to be used for securities transactions in client accounts.

City Different offers clients a range of equity and fixed-income investment strategies. Within a given investment strategy, and consistent with the stated investment objectives, policies, and restrictions of that investment strategy, we exercise exclusive investment discretion over the purchase and sale of securities. We are willing to manage a client’s account subject to certain reasonable restrictions that the client imposes on the inclusion of specific securities, or types of securities, within that account. See Item 8 of this Brochure for additional details about investment strategies and related risks.

We offer investment advice on domestic and global equity securities; tax-free and taxable municipal bonds; corporate, mortgage-backed, agency, and U.S. government bonds; open-end and closed-end mutual funds; and exchange traded funds (“ETFs”).

### **Sub-advisory Arrangements**

City Different may be designated as a sub-adviser where we are hired by a registered investment adviser, family office, or other institutional investor to assist with the management of a client's investment portfolio. Under these arrangements, City Different will manage all or some of the client's assets in accordance with stated guidelines and objectives which are communicated by the registered investment adviser, family office, or institutional investor. In a sub-advisory relationship, the adviser/family office/institutional investor is responsible for the recommendation and selection of City Different on behalf of designated clients.

### **Wrap Programs**

City Different may offer investment advice to participants in certain 'wrap fee' programs. These programs are sponsored by brokerage firms as a means to give their clients access to the discretionary management services of various non-affiliated investment advisers, including City Different, for a single fee that covers the costs of portfolio management, trade execution, custody, and portfolio reporting. With the possible exception of trade counterparty selection, we anticipate no differences between how we manage wrap fee assets and other separate account assets. If a participant selects City Different to manage its assets pursuant to this strategy, we receive a portion of the overall wrap fee charged to that participant by the sponsor. Note: the wrap fee payable to the broker-dealer sponsor of a wrap program may exceed the costs of the services provided under the program (i.e., investment management, trade execution and custody) if such services were purchased by participating investors directly.

### **Unified Managed Accounts**

City Different may provide model portfolio services to Unified Managed Account ("UMA") programs that are managed by unaffiliated investment advisory firms. The UMA combines all of a client's assets into a single account. These services would require City Different to provide these programs with daily changes to our model portfolios and would be submitted in accordance with directed trading procedures, as discussed in Item 12 of this Brochure. As the investment adviser to UMA portfolios, City Different would be paid to share day-to-day portfolio recommendations, while the program sponsors would retain final discretion to implement the modeled strategy. UMA program sponsors retain discretion to implement or not implement City Different's model changes. Furthermore, UMA program sponsors manage all trading and administrative aspects of client account management. Fees and brokerage arrangements for model portfolio services differ from more traditional asset management, as described in Items 5 and 12 of this Brochure.

### **Performance Differences between Direct, Sub-advised, Wrap, and UMA Accounts**

While City Different advised, sub-advised, wrap, and UMA accounts utilizing the same investment strategy would be expected to perform similarly, there are likely to be performance differences between them, primarily because City Different does not retain trading discretion over UMA accounts, and fees and expenses vary across account types. For more information about City Different's brokerage practices, please see Item 12 of this Brochure.

### **Private Investment Funds**

City Different, through a subsidiary, sponsors private investment funds that make investments in illiquid private securities (each a "Private Fund"). City Different engages in venture capital and

private equity strategies for each Private Fund. Each investment strategy, including risks, is described in the private offering documents for each Private Fund.

### **Written Investment Management Agreement**

Prior to engaging City Different, direct clients are required to enter into a written investment management agreement which discloses, in substance, a description of services to be provided, the term of the agreement, discretionary authority conveyed to City Different, the advisory fee and formula for computing the fee, terms associated with the return of fees or pro-rata fees in the event of contract termination, and a non-assignment clause, among other provisions. Termination provisions are outlined in the investment management agreement.

Relative to sub-advisory, wrap, and UMA arrangements, City Different will execute an agreement with the adviser, family office, institutional investor, or program sponsor. The nature of the arrangement will dictate whether participating clients are required to execute a separate agreement with City Different. Participants in such arrangements should consult with the program sponsor on contractual termination provisions.

### **Assets Under Management**

As of December 31, 2021, City Different managed \$197.3 million in total Regulatory Assets under Management, comprised of approximately \$41.4 million managed on a discretionary basis and \$155.9 million managed on a non-discretionary basis.

## **Item 5: Fees and Compensation**

### **Asset-Based Fee Schedule – Direct Clients**

City Different offers continuous investment management services for a fee, calculated as a percentage of assets under management. Our annual fee schedule is shown below.

Equity Strategies: 0.5% - 2.00% (fees vary by strategy)

Fixed-Income Strategies:

- ◆ Up to \$50 million: 0.25%
- ◆ \$50 million - \$100 million: 0.20%
- ◆ Over \$100 million: negotiable

These annual rates are applied to the market value of all assets under management, including cash balances that are available for investment. Fees are in some cases negotiated with a client at our discretion. Fees may be discounted or waived for employee and related or family member accounts.

Lower fees for comparable services may be available from other sources.

### **Performance Fees**

In addition to the payment of ongoing management fees, City Different offers equity strategies that charge a performance fee based upon the separate account portfolio's return on invested capital if certain minimum rates of return thresholds are achieved. Investors in the Private Funds generally

will also be subject to performance-based compensation paid to City Different. Only qualified clients are eligible to invest in these equity strategies and the Private Funds, as detailed in Item 6 of this Brochure.

### **Fee Negotiation**

Our fees are based on the net asset value of each separate account or asset pool, which is subject to change and may be negotiated. City Different may, in its sole discretion, charge lower management fees or waive account minimums based on certain criteria, including vehicle type, investment strategy, client type, client domicile, services provided, the client's historical relationship with City Different or its partners, account size, current and anticipated future assets under management, marketplace considerations, client's operational or investment limitations or restrictions, level of client servicing required, and other factors City Different deems relevant. To the extent fees are negotiable, certain clients will pay less than other clients for the same or similar investment management services.

### **Fee Billing – Direct Clients**

Our annual portfolio management fee is generally billed and payable, quarterly in arrears, based on the balance at the end of the billing period. If the investment management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the investment management fee is payable in proportion to the number of days in the quarter for which you are a client. Clients may pay City Different's fees by direct invoice billing or by direct deduction. In the event of direct billing, clients may pay by check or wire.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable investment management fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts.

Under direct fee debit arrangements, we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our investment management fee only when the following requirements are met:

- ◆ You provide us with written authorization permitting the fees to be paid directly from your account held by the qualified custodian.
- ◆ The qualified custodian agrees to send you a statement, at least quarterly, indicating all amounts disbursed from your account including the amount of the investment management fee paid directly to us.

### **Fee Schedule and Billing – Sub-advisory, Wrap, and UMA Arrangements**

When City Different provides services under sub-advisory, wrap, or UMA arrangements, we receive a fee from the adviser/family office/institutional investor or program sponsor based on total client account assets. Under these arrangements, client fees are not set by City Different and therefore vary from one program to another. The adviser/family office/institutional investor or program sponsor will dictate fee billing terms.

### **Additional Fees and Expenses**

As part of our investment management services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our Firm for investment management services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds to their shareholders (as described in each fund's prospectus). These fees will generally include a management fee and other fund expenses. We do not share in any portion of these fees or expenses.

You may also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees, transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our Firm, and others. For information on our brokerage practices, refer to Item 12 of this Brochure.

City Different does not receive any compensation for securities transactions in any client account, other than the investment advisory fees noted above.

Private Funds are responsible for their operating costs and expenses which are described in the confidential offering documents for each Private Fund.

### **Brokerage and Custody Costs**

For our clients' accounts that Charles Schwab & Co., Inc. ("Schwab") maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab's Cash Features Program. For some accounts, Schwab may charge you a percentage of the dollar amount of assets in the account in lieu of commissions. For more information on brokerage practices applicable to clients who custody their accounts at Schwab, refer to Item 12 of this Brochure.

### **Termination of Services**

For direct client relationships, either the client or City Different may terminate the investment management agreement upon written notice. The notice period is detailed in the investment management agreement. Where City Different serves as a sub-adviser, the notice period for termination of services is negotiated as described in the sub-advisory agreement between parties. Where City Different serves as a wrap manager or model provider under UMA arrangements, the notice period for termination of services is dictated by the program sponsor.

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

Qualified clients may negotiate a performance fee with City Different. Such arrangements will only be undertaken in accordance with the requirements set forth by Rule 205-3 under the Investment Advisers Act of 1940. When City Different charges a performance fee, we have an incentive to maximize gains in that account (and, therefore, maximize its performance fee) by making investments for that account that are riskier or more speculative than would be the case in



the absence of a performance fee. City Different also has an incentive to favor accounts for which we charge a performance fee over other types of client accounts, by allocating more profitable investments to performance fee accounts or by devoting more resources toward the management of those accounts. City Different will seek to mitigate the conflicts that may arise from managing accounts that pay a performance fee by monitoring and enforcing its policies and procedures, including those related to investment allocations. Investors in Private Funds are also subject to a performance allocation or carried interest structure which provides to City Different (or an affiliate) a portion of profits of the Private Fund. Investors in Private Funds must meet certain requirements pursuant to Rule 205-3 under the Investment Advisers Act of 1940 in order to take part in the Private Fund.

We do not intend to favor any clients or subsets of clients when we engage in side-by-side investing of direct accounts, sub-advised accounts, wrap accounts, or model portfolios. Portfolio holdings in certain instances will vary from any one client account to another within a specific strategy due to unique client objectives, restrictions, tax strategies, account inception dates, and/or cash flows.

## **Item 7: Types of Clients**

As noted in Item 4 above, City Different provides discretionary investment management services to a range of high net worth and institutional investors. Clients may include individuals, banks or thrift institutions, investment advisers, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates, charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of the Firm and members of their families.

For direct clients, City Different generally requires \$100,000 to establish an equity account and \$500,000 to establish a fixed-income account. We may waive or reduce minimum investment requirements at our discretion, including based upon certain criteria as described in Item 5 above, and we reserve the right to decline any account or client in our sole discretion. Private Fund minimums are specified in respective offering documents.

City Different is deemed to be a fiduciary to clients that are employee benefit plans pursuant to ERISA, and regulations under the Internal Revenue Code of 1986, respectively. As such, our Firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, City Different is permitted to only charge fees for investment advice about products for which our Firm and/or our related persons do not receive commissions. ERISA Rule 408(b)(2) requires full disclosure of our services and compensation and should be read in conjunction with this Form ADV Part 2A and the investment management agreement, where applicable.

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

As appropriate, we will use one or more of the following methods of analysis or investment strategies when providing investment advice to you. Note that City Different's investment strategies and advice may vary depending upon a client's specific objectives and/or restrictions.

**Fundamental Analysis**

Fundamental analysis involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company and its industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

**Technical Analysis**

We employ technical analysis in a quantitative strategy. Technical analysis involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks. The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may not reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Long-Term Purchases**

Long-term strategies involve securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year. Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost in the form of "locking-up" assets that may be better utilized in the short-term in other investments.

While the methods of analysis help City Different in evaluating a potential investment, it does not guarantee that the investment will increase in value. Assets meeting the investment criteria utilized in these methods of analysis may lose value and may have negative investment performance. City Different monitors client portfolios to determine if adjustments to strategic allocations are appropriate. More details on our review process are included in Item 13 of this Brochure.

**Short Sales**

When a client account engages in a short sale on a security within the Long/Short Equity strategy, it must borrow the security sold short and deliver it to the counterparty. The client account will ordinarily have to pay a fee or premium to borrow particular securities and be obligated to repay the lender of the security any dividends or interest that accrue on the security during the period of the loan. The amount of any gain from a short sale will be decreased, and the amount of any loss increased, by the amount of the premium, dividends, interest or expenses the client account pays in connection with the short sale. Short sales expose a client account to the risk that it will be required to cover its short position at a time when the securities have appreciated in value, thus resulting in a loss to the client account. A client account may, to the extent permitted by law, engage in short sales where it does not own or have the right to acquire the security (or basket of securities) sold short at no additional cost. A client account's loss on a short sale could theoretically

be unlimited in a case where the client account is unable, for whatever reason, to close out its short position.

The use by a client account of short sales in combination with long positions in its portfolio in an attempt to improve performance may not be successful and may result in greater losses or lower positive returns than if the client account held only long positions. It is possible that a client account's long equity positions will decline in value at the same time that the value of the securities underlying its short positions increase, thereby increasing potential losses to the client account. If the client account is required to return a borrowed security at a time when other short sellers are also required to return the same security, a "short squeeze" can occur, and the client account may be forced to purchase the security at a disadvantageous price. In addition, a client account's short selling strategies may limit its ability to fully benefit from increases in the equity markets. Short selling also involves a form of financial leverage that may exaggerate any losses realized by a client account that utilizes short sales.

The strategies and methodologies that City Different uses for the Private Funds are described in the confidential offering documents of the Private Funds.

### **Investment Strategies**

City Different offers an array of investment strategies designed to meet the needs of clients. Strategies include but are not limited to the following:

- ◆ Fixed Income (Corporate Bond, Municipal Bond Short, Limited, and Intermediate)
- ◆ Domestic Equity (Multi-Cap Core, SMID Cap Core, Long/Short Equity)
- ◆ Global Equity (Global Equity, Focused Global Equity)
- ◆ Collaborative Intelligence (Data Science + Fundamental Analysis)

### **General Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Limited Operating History**

Although our Founding Partners have deep investment and business experience, City Different itself has a limited operating history. Clients will be dependent upon the experience and expertise of City Different and Founding Partners to manage investments and administer day to day operations. There can be no assurance that City Different will be able to successfully implement its investment strategies or that its Founding Partners will remain employed by City Different throughout the lifecycle of a portfolio.

### **Pandemic**

Occurrences of epidemics or pandemics, depending on their scale, are known to cause different degrees of damage to global, national, and local economies. COVID-19 (also known as novel coronavirus or coronavirus disease 2019) presents unique, rapidly changing, and hard to quantify risks. In general, it has resulted in a significant reduction in or dislocation of commercial activity on a global scale that has adversely impacted many businesses. Governments, on the national,

local, and state level, have instituted a variety of measures including lockdowns, quarantines, and states of emergencies, which collectively has had an impact on the global and U.S. economies. Although there is reason to believe that the COVID-19 outbreak has been at least temporarily contained, there can be no assurance this will continue to be the case and, in the meantime, global equity, bond and credit markets may be adversely affected. Such disruption may adversely affect the Firm's operating results and client investment returns.

### **Russian Invasion of Ukraine and Similar Events**

Russia launched a large-scale invasion of Ukraine on February 24, 2022 and, in response, the United States and other governments have imposed economic sanctions on certain Russian individuals, including Russian government officials and other government-linked individuals, and Russian corporate entities and financial institutions, banned certain Russian financial institutions from global payments systems that facilitate cross-border payments and have taken other economic and political measures. It is possible that such governments could institute broader sanctions or impose other economic and political measures on Russia, which could result in the immediate freeze of Russian securities and/or funds invested in prohibited assets and/or other consequences. The extent and duration of the military action, the possibility of the conflict expanding beyond Ukraine and Russia, and resulting sanctions and other economic and political measures and future market disruptions in the region and worldwide are impossible to predict, but could be significant and have a severe adverse effect on the region and collateral effects globally, including significant negative impacts on the global economy and the markets for certain securities and commodities, such as oil and natural gas, as well as other sectors. Although City Different does not directly invest in businesses located in Russia, Ukraine, or surrounding regions, these events could negatively affect the value and liquidity of client investments due to the interconnected nature of the global economy and capital markets.

### **Privacy and Information Security**

City Different's business requires it to use and store client personally identifying information including names, addresses, phone numbers, email addresses, contact preferences, tax identification numbers, and payment account information. The collection and use of personal identifying information are governed by federal and state laws and regulations. Privacy and information security laws continue to evolve and may be inconsistent from one jurisdiction to another. City Different's transmission and storage of data may be compromised as a result of third-party security breaches, employee error, malfeasance, faulty password management, or other irregularity, and result in persons obtaining unauthorized access to company data or accounts. As cyber threats continue to evolve, City Different may be required to expend additional resources to continue to enhance information security measures and/or to investigate and remediate any information security vulnerabilities. Regardless, we may experience a breach and may be unable to protect sensitive data. Moreover, if a computer security breach affects our systems or results in the unauthorized release of personally identifying information, our reputation and brand could be materially damaged and materially adversely affect our business.

### **Data Risk**

City Different's investment strategies rely upon a mix of traditional and alternative data supplied by third parties. This data is utilized in quantitative modeling, the accuracy of which is dependent upon these data inputs. There is a risk that this data is either incomplete or inaccurate. Reliance on

incorrect information presents exposure and the potential to influence decisions that could negatively impact investment performance.

### **Other Risk Considerations**

When evaluating risk, financial loss may be viewed differently by each client and may depend on many different risk sets, each of which may affect the probability and magnitude of any potential losses. The following risks may not be all-inclusive but should be considered carefully by a prospective client before retaining our services.

**Concentration Risk:** A portfolio will generally seek to diversify portfolio investments; however, in certain strategies, a significant percentage of the portfolio's assets could be invested at a point in time in groups of issuers deriving significant revenues from the same market, region, or industry. Further, a portfolio may be invested in a small number of holdings. To the extent a portfolio makes such investments, the exposure to credit and market risks associated with such market, region or industry will be increased because changes in the value of a single issuer could have a greater impact on the total value of the portfolio than if the portfolio is invested in a larger number of issuers. To the extent that some of the issuers in the portfolio are in the same or related industries or sectors, any economic, political, regulatory, or other event affecting one of those industries or sectors could have a greater impact on the total value of a client's portfolio.

**Liquidity Risk:** The risk of being unable to sell your investment at a fair price at a given time due to high volatility or lack of active liquid markets. You may receive a lower price, or it may not be possible to sell the investment at all.

**Credit Risk:** Credit risk typically applies to debt investments such as corporate, municipal, and sovereign fixed income or bonds. A bond issuing entity can experience a credit event that could impair or erase the value of an issuer's securities held in a client's portfolio.

**Inflation and Interest Rate Risk:** Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of a client's future interest payments and principal. Inflation also generally leads to higher interest rates which may cause the value of many types of fixed income investments to decline.

**Derivatives Risk:** Investments in futures, interest rate swaps, and credit default swaps involve the risks associated with the securities or other assets underlying those derivatives, including the risk of changes in the value of the underlying assets between the date that an account enters into the derivatives transaction and the date that an account closes out that transaction. An account's investments in futures, interest rate swaps, and credit default swaps also involve the risk that the other party to the transaction will be unable or unwilling to perform its obligations to the account, that an account will be unable to sell or close its positions in such derivatives or will be delayed in doing so, and that an account will have difficulty valuing such derivatives.

**Short Sale Risk:** A short sale involves the sale of a borrowed security, in anticipation of purchasing that same security at a lower price in the future in order to close the short position. If the value of the borrowed security increases between the date the account enters into the short sale

and the date that the account buys that security to cover its short position, the account will experience a loss.

**Currency Risk:** When investments involve the currencies of various countries, the value of the assets of a portfolio as measured in the portfolio's base currency will be affected by changes in currency exchange rates, which could affect a portfolio's performance independent of the performance of its securities investments. A portfolio could seek to hedge all or any portion of its foreign currency exposure. However, even if a portfolio attempts such hedging techniques, it is not possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-base currencies because the value of those securities is likely to fluctuate due to independent factors not related to currency fluctuations. Currency exchange rates can fluctuate significantly over short periods of time causing, along with other factors, a portfolio's asset value to fluctuate as well. To the extent that a substantial portion of a portfolio's total assets, adjusted to reflect a portfolio's net position after giving effect to currency transactions, is denominated in the currencies of specific countries, the portfolio will be more susceptible to the risk of adverse economic and political developments within those countries.

**Risk when Trading on Exchanges:** A portfolio can directly or indirectly trade securities on exchanges located anywhere. Some exchanges, in contrast to those based in the United States, for example, are "principals' markets" in which performance is solely the individual member's responsibility with whom the trader has entered into a contract and not that of an exchange or its clearinghouse, if any. In the case of trading on such exchanges, a portfolio will be subject to the risk of the inability of, or refusal by, a counterparty to perform with respect to contracts. Moreover, in certain jurisdictions there is generally less government supervision and regulation of worldwide stock exchanges, clearinghouses and clearing firms than, for example, in the United States. A portfolio is also subject to the risk of the failure of the exchanges on which its positions trade or of their clearinghouses or clearing firms and there could be a higher risk of financial irregularities and/or lack of appropriate risk monitoring and controls.

**Counterparty Risk:** Participants in the over-the-counter markets typically enter into transactions only with those counterparties which they believe to be sufficiently creditworthy, unless the counterparty provides margin, collateral, letters of credit or other credit enhancements. While it is anticipated that City Different will be able to establish the necessary counterparty business relationships to permit client portfolios to effect transactions in the over-the-counter markets, there can be no assurance that it will be able to do so or, if it does, that it will be able to maintain such relationships. An inability to continue existing or establish new relationships could limit client portfolio activities.

### **Recommendation of Particular Types of Securities**

We recommend various types of securities and we do not primarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with the investment. A description of the types of securities we may recommend to you and some of their inherent risks are provided below.

**Equities:** There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and the overall health of the economy. In general, larger, better-established companies ("large cap") tend to be safer than smaller companies ("small cap") are but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

**Smaller Companies:** Investments in small-capitalization companies and mid-capitalization companies, including smaller, earlier stage companies, at times involve additional risks. These risks can be relatively higher with smaller companies. These additional risks could result from limited product lines, more limited access to markets and financial resources, greater vulnerability to competition and changes in markets, lack of management depth, increased volatility in share price, and possible difficulties in valuing or selling these investments.

**Bonds:** Debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on a country's monetary policy framework; the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.

**Municipal Securities:** Municipal securities, while generally considered safe, can have significant risks associated with them including, but not limited to the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that is used to pay the interest to bondholders; when the bond is due to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.

**Mutual Funds and Exchange Traded Funds:** Mutual funds and exchange traded funds ("ETFs") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, alternative investments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs are reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors.

ETFs may have tracking error risks. For example, the ETF investment adviser may not be able to cause the ETF's performance to match that of the underlying index or other benchmark, which may negatively affect the ETF's performance. In addition, for leveraged and inverse ETFs that seek to track the performance of their underlying indices or benchmarks on a daily basis, mathematical compounding may prevent the ETF from correlating with performance of its benchmark. In addition, an ETF may not have investment exposure to all of the securities included in its underlying index, or its weighting of investment exposure to such securities may vary from that of the underlying index. Some ETFs may invest in securities or financial instruments that are not included in the underlying index, but which are expected to yield similar performance.

**Foreign Investments:** Investments in securities of foreign issuers often involve risks including adverse fluctuations in currency exchange rates, political instability, confiscations, taxes or restrictions on currency exchange, difficulty in selling foreign investments, and reduced legal protection. These risks are at times more pronounced for investments in developing countries.

**ADRs:** American Depositary Receipts ("ADRs") are typically issued by a US bank or trust company and represent ownership of underlying foreign securities. Positions in these securities are not necessarily denominated in the same currency as the common stocks into which they could be converted. Generally, ADRs, in registered form, are designed for the U.S. securities markets. In addition to the risks presented in any investment – changes in value, changes in demand – there are several risks unique to ADRs that must be considered. For instance, while they tend to react to normal market fluctuations like regular stocks, ADRs are still vulnerable to currency risks. If the value of the company's home currency falls too much relative to the US Dollar, the effect will eventually trickle down to the ADR. The same can be said for changes in the home country's government.

**Emerging Market Securities:** Certain client portfolios may hold investments in various markets, some of which could be considered "emerging markets", or in companies with material exposure to emerging markets. Many emerging markets are developing both economically and politically and could have relatively unstable governments and economies based on only a few commodities or industries. Many emerging market countries do not have firmly established product markets and companies could lack depth of management or could be vulnerable to political or economic developments such as nationalization of key industries.

Emerging market securities risks include: (i) greater risk of expropriation, confiscatory taxation, nationalization, social and political instability (including the risk of changes of government following elections or otherwise) and economic instability; (ii) the relatively small current size of some of the markets for securities and other investments in emerging markets issuers and the current relatively low volume of trading, resulting in lack of liquidity and in price volatility; (iii) certain national policies which could restrict a portfolio's investment opportunities including restrictions on investing in issuers or industries deemed sensitive to relevant national interests; (iv) the absence of developed legal structures governing private or foreign investment and private property; (v) the potential for higher rates of inflation or hyper-inflation; (vi) currency risk and the imposition, extension or continuation of foreign exchange controls; (vii) interest rate risk; (viii) credit risk; (ix) lower levels of democratic accountability; (x) differences in accounting standards and auditing practices which could result in unreliable financial information; and (xi) different corporate governance frameworks. Furthermore, emerging markets are characterized by numerous



market imperfections, analysis of which requires long experience in the market and a range of complementary specialist skills. In the recent past, the tax systems of some emerging markets countries have been marked by rapid change, which has sometimes occurred without warning and has been applied with retroactive effect.

**Investments in Private Funds:** There are many risks associated with investments in private investment funds. City Different provides descriptions of these risks and other considerations for potential investors to review and assist them with an investment decision regarding the Private Funds.

## **Item 9: Disciplinary Information**

Like other registered investment advisers, City Different is required to disclose all material facts regarding any legal or disciplinary events that could materially impact a client's or potential client's evaluation of City Different or the integrity of its management. City Different is not aware of any legal or disciplinary events that would be material to a client's or a prospective client's evaluation of City Different or the integrity of its management.

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

Neither City Different nor any of its management persons are registered as a representative of a broker-dealer or have an application pending to register as a broker-dealer or registered representative of a broker-dealer.

Neither City Different nor any of its management persons are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

City Different expects to serve as or does serve as a sub-adviser to registered investment advisers, family offices, and other institutional investors. We do not believe these arrangements do or will create material conflicts of interest for our sub-advised or direct clients. We will follow written policies and procedures designed to manage any potential conflicts by ensuring that all clients are treated fairly, regardless of the investment strategy, investment vehicle, portfolio size, and fee schedule associated with the account.

### **Conflicts of Interest**

As a general matter, actual or apparent conflicts of interest arise in connection with the simultaneous management of accounts. For example, the management of multiple accounts results in City Different devoting varying amounts of time and attention to the management of each account. Although we do not track the time the portfolio team spends on a single account, we will periodically assess whether a team member has adequate time and resources to effectively manage all of the accounts for which City Different is responsible. Moreover, variances in investment management fees charged from account to account may create an incentive for a team member to devote more attention to those accounts that pay higher advisory fees. To the extent that the same investment opportunities might be desirable for more than one account or strategy, possible conflicts could arise in determining how to allocate them. City Different has adopted and

implemented policies and procedures, including a Code of Ethics, as well as best execution and trade allocation policies and procedures, which we believe address the conflicts associated with managing multiple accounts and strategies across our client base. The performance of all portfolios utilizing similar strategies is reviewed on a regular basis to identify and rationalize any performance dispersion.

At this time, City Different does not recommend or select other investment advisers for clients.

To eligible clients, City Different does recommend, investments in the Private Funds which are sponsored by a subsidiary entity and managed by City Different. This creates a conflict of interest between City Different and the client. City Different mitigates this conflict with disclosures about the investment in the Private Fund and those conflicts and risks associated with an investment in the Private Fund. Further, City Different will not make an investment decision on behalf of a client to invest in a Private Fund, instead each client must make the ultimate decision to invest in a Private Fund.

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

We value client trust and place our fiduciary responsibilities to each client first and foremost in all aspects of our business. In accordance with Rule 204A-1 under the Investment Advisers Act of 1940, City Different has adopted a code of ethics (the “Code of Ethics”). The Code of Ethics outlines a high standard of business conduct and reinforces each employee’s role in discharging the fiduciary duty to clients. The Code of Ethics sets forth standards of conduct expected of employees and addresses conflicts that arise from personal trading, gifts and entertainment, political contributions, and outside business activities. Our employees must submit certain Code of Ethics reports to the Chief Compliance Officer, including specified personal securities transactions, holdings, and pre-approval requests. We are committed to maintaining the confidentiality, integrity, and security of current and prospective clients’ nonpublic personal information and adhere to high standards to safeguard such information.

### **Personal Trading Practices**

Our Code of Ethics governs personal trading by each employee and their related persons and requires that securities transactions effected by employees are conducted in a manner that avoids any actual or potential conflict of interest between such persons and the clients of City Different.

City Different employees are permitted, within the framework of policies and procedures, to buy or sell the same securities that we recommend to clients or securities in which clients are invested. These situations may arise within personal accounts that are managed by City Different or managed by employees away from the Firm. A conflict of interest would exist were we to have the ability to trade ahead of you and potentially receive more favorable prices than you would receive. To mitigate this conflict of interest, it is our policy that neither City Different nor our employees shall have priority over client accounts in the purchase or sale of securities. Furthermore, employees are required to obtain pre-approval from City Different’s Chief Compliance Officer prior to personal account transactions in certain designated financial

instruments. This policy applies to financial instruments in which the employee has any direct or indirect beneficial ownership.

From time-to-time, a financial instrument may be added to a 'restricted list' for example, where City Different has inside information on an issuer, which may include the Firm's plans to buy or sell such an instrument in client portfolios. In such circumstances, personal account transactions in the financial instrument are strictly prohibited. In addition, employees may not disclose confidential or inside information to a third party where it can be reasonably ascertained that the third party will transact in financial instruments on the basis of this information.

City Different does not expect to buy or sell for client accounts, securities in which it or a related person has a material financial interest. We will amend this disclosure in the future were City Different to advise clients, or exercise discretion on their behalf with respect to securities issued by City Different, a related issuer or, during the security's distribution, by a connected issuer. In these situations, City Different will disclose the nature and extent of the relationship or connection between City Different and the issuer of the securities.

### **Principal and Agency Cross Transactions**

At this time, City Different does not expect to conduct any principal or agency cross securities transactions for client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys a security from or sells a security to any client. We do not maintain a securities account for the benefit of the Firm and, as a matter of policy, do not cross trade between client accounts. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

A copy of City Different's Code of Ethics is available to any current or prospective client by contacting the Chief Compliance Officer at 505-416-4550.

## **Item 12: Brokerage Practices**

### **Designation of Custodian**

City Different is custodian neutral, which means we are willing to work with various custodians in delivering investment advisory services to our clients. Clients may select their own qualified custodian, or in some cases may ask City Different to recommend a qualified custodian. As noted in Item 5 above, in such circumstances, we may recommend the institutional services division of Schwab, Member FINRA/SIPC<sup>1</sup> to be the custodian for our clients' accounts. City Different is independently owned and operated and is not legally affiliated with Schwab or any other custodian.

Schwab (or other similar custodian) will hold your assets in an account in your name and will buy and sell securities when we instruct them. While typically we recommend that you use Schwab as

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<sup>1</sup> City Different is not, nor is required to be, a FINRA or Securities Investor Protection Corporation (SIPC) member. You may learn more about SIPC and how it serves member firms and the investing public by going to their website at <http://www.sipc.org>.

your account custodian, you must decide whether to do so and your account with Schwab will be entered into via an account agreement between you and them. We technically do not open the account for you, although we may assist you with the paperwork. Schwab offers investment advisers' services, which include custody of securities, trade execution, clearance, and settlement of transactions. City Different may receive other benefits from Schwab through participation in their investment adviser support program (please see Item 14). We periodically conduct an assessment of any service provider we recommend, including Schwab, which includes a review of their range of services, reasonableness of fees, among other items, and in comparison to industry peers.

City Different does not maintain custody of your assets that we manage, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account for purposes of fee payment (see Item 15—Custody, below). Conflicts of interest associated with this arrangement are described later in this Item 12, as well as in Item 14 (Client referrals and other compensation). You should consider these conflicts of interest when selecting your custodian.

If a client maintains accounts at its own preferred custodian rather than at Schwab, the client may incur higher fees than those charged by Schwab. Higher transaction costs adversely impact account performance. Unless directed to a specific broker/dealer, we may utilize various executing broker/dealers for our client accounts, in which event, the client can incur both the fee (commission, mark-up/mark-down) charged by the executing broker/dealer and a separate "trade away" and/or prime broker fee charged by the client's designated account custodian. City Different is generally not in a position to negotiate such trade away or prime broker fees with the client's custodian.

### **Directed Brokerage – General**

We do not expect to utilize directed brokerage, unless requested by the client in writing. If so requested by a client in writing, generally as part of the investment management agreement, City Different may attempt to set a maximum percentage of the total commission dollars generated by the specific client account, so as to preserve our ability to obtain "best execution." A client might direct City Different to use a particular broker-dealer for a variety of reasons, including: (a) the client's relationship with the broker-dealer; (b) the client's own evaluation of the broker-dealer and the quality of its trade execution; (c) discounts or other benefits the client receives from the broker-dealer; and/or (d) the existence of a commission recapture program under which the client receives the benefit of rebates or other benefits separately negotiated between the client and the broker-dealer. City Different does not attempt to evaluate the client's determination to direct the use of a specific broker-dealer.

Under directed brokerage arrangements, no attempt will be made to negotiate commissions on a client's behalf. As a result, the directed brokerage client could pay materially disparate commissions in some transactions. Commission amounts will depend on the commission arrangement with the referring broker-dealer established prior to referral to City Different as well as other factors such as the number of shares/bonds, round and odd lots, and the market for the security. When a client directs City Different to use a specific broker-dealer, we may not be able

to aggregate the client's securities transactions with those of other clients, and therefore may not be able to obtain the potential efficiencies available from trade aggregation.

### **Directed Brokerage – Wrap Programs**

Client accounts originating through a wrap program ordinarily are considered directed brokerage accounts. Sponsors of these programs typically charge each program participant a fee which covers the costs of executing transactions for the participant's account when the program sponsor places transactions. Trades not placed by the program sponsor are referred to as "step-out" trades and usually result in the client incurring additional trading costs. A wrap program client should confer with the program's sponsor and determine that the direction of brokerage provided for under the program is reasonable in view of the benefits received, and that the trade execution provided by the program's sponsor is in the client's best interest.

### **Directed Brokerage – Clients Subject to ERISA**

If a client account is subject to ERISA and the client directs City Different to place all transactions for the client's account with a particular broker-dealer, the following facts apply: (a) the client retains and accepts sole responsibility for the determination of whether the directed brokerage arrangement is reasonable in relation to the benefits received by the plan; (b) the client acknowledges and represents to City Different that the directed brokerage arrangement is used solely and exclusively for the benefit of the plan and its participants; and (c) the client acknowledges and represents to City Different that the directed brokerage arrangement is permissible under the plan's governing documents.

### **Trading Platform**

City Different's policy on broker selection and allocation is designed to ensure that City Different, on behalf of its clients, receives good value from brokerage firms. This is achieved by allocating trades to approved brokerage firms based on their efforts, for the benefit of our clients. City Different maintains a list of approved brokerage firms. No City Different portfolio manager or trader is permitted to conduct a trade with or direct a trade to a counterparty unless the counterparty appears on the list of approved firms and is approved for the applicable trade type.

When trading on behalf of client accounts City Different utilizes the SEI Wealth Platform. SEI's trading team is responsible to manage trades ordered by City Different. When selecting counterparties to conduct securities transactions on behalf of client portfolios, portfolio managers consider many factors, in the context of the over-riding responsibility to seek best execution, including without limitation:

- ◆ The execution capability of the counterparty with reference to the specific trade;
- ◆ Trading costs;
- ◆ Trading expertise and prompt access to large blocks of securities;
- ◆ Willingness of the counterparty to commit its own capital to facilitate trading;
- ◆ Responsiveness;
- ◆ Creditworthiness and financial stability;
- ◆ Clearance and settlement capability;
- ◆ Provision of research and other brokerage services; and
- ◆ Where applicable, international expertise with access to world markets.

Research provided by external sources is either available to City Different at no charge or paid in hard dollars directly by City Different and not through the use of client commissions. In transactions governed by a fixed commission scale, City Different's clients will not be charged more than the fixed commission scale. In the case of transactions where commission scales are negotiable, we endeavor to secure the best possible terms for clients, which includes consideration of factors such as the general quality and reliability of service provided by the counterparty.

### **Trade Order Aggregation and Allocation**

City Different manages assets on behalf of various clients and seeks to allocate transactions fairly and equitably among clients. We implement procedures and arrangements which provide for the prompt, fair and expeditious execution of client orders, either on a prorated basis or some other equitable means, considering each client's investment objectives and other factors.

City Different implements an aggregation and allocation policy which details the basis for allocation. Trade records are annotated in any situation where the actual allocation differs from the policy or the original allocation for that trade. While we seek to undertake a consistent process, there could be valid commercial reasons for a deviation. It is important that these valid commercial reasons are documented at the time of execution to demonstrate the fair treatment of all clients.

Factors and principles that may form the basis of trade allocation include, but are not limited to:

- ◆ Legal and regulatory restrictions affecting the participation rates for clients;
- ◆ Liquidity preference or availability;
- ◆ Portfolio restrictions;
- ◆ Size of the investment and minimum investment sizes – for example, where allocation of an investment opportunity would be insufficient to make up a meaningful portion of a client's portfolio, such client could be excluded from the investment opportunity due to the de minimis nature of the allocation; and/or
- ◆ The need to rebalance positions held by any client in an investment due to capital inflows or outflows.

Because it is not possible in all instances to execute a purchase or sale in a single transaction, necessitating the execution of multiple purchases or sales over time, a series of transactions can be executed at different prices over that period. In some instances, the availability of a given security could be limited. Multiple contemporaneous client orders could also be aggregated to obtain more favorable pricing and execution. If any such aggregated order is executed in more than a single transaction and at other than a single price, the average weighted price of all such transactions will be deemed to be the price at which the security was purchased or sold for all participating clients.

### **Trade Rotation**

When an investment decision results in a trade order that impacts multiple account types, City Different will, when necessary, implement a "trade rotation" protocol to treat accounts fairly as there may be an advantage to trading early. All non-platform accounts (i.e., institutional separate accounts including sub-advised investment companies) and other accounts that are deemed to be managed similarly to such accounts will typically be aggregated and executed. All wrap platform accounts and certain non-platform accounts that are smaller in size or that have certain

restrictions which City Different believes would be better traded with the platform accounts will then be executed. Platform accounts will either be traded with the platform sponsors or “stepped out” where permissible at the trader’s discretion, after considering certain variables including trading volume. Whether trading directly with the platform sponsor or “stepping out” trades from the platform sponsor, City Different follows a trade rotation system that is designed to ensure that all accounts that buy or sell a particular security on a single day are treated fairly. The rotational order of directed brokerage transactions outside or platforms will generally follow non-directed transactions. Sponsors of non-discretionary UMA programs will typically be notified of model portfolio information following the completion of the corresponding account trades for the non-platform and platform accounts.

If liquidity permits, non-platform accounts, platform accounts, and UMA programs can execute side by side. Variances in the trade rotation described above could also arise due to cash availabilities or needs, or other practical considerations.

#### **Accounts for Persons Associated with City Different**

City Different may manage accounts on behalf of employees and/or their related persons. For purposes of brokerage practices, City Different will treat these accounts in the same manner as accounts of non-related persons and will not favor one type of account over the other. Please see Item 5 for discussion of employee and related account fees. City Different periodically reviews its treatment of employee/related accounts to ensure that it does not favor them over non-proprietary accounts.

#### **Brokerage for Client Referrals**

City Different does not receive client referrals from any broker-dealer or third party as a result of the Firm selecting or recommending that broker-dealer or third-party to clients.

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

City Different realizes that brokerage commissions are the property of our clients. As the investment manager, we have an ongoing responsibility to ensure the quality of all transactions effected on behalf of clients, including seeking to obtain best execution and minimizing transaction costs (market impact plus commissions).

We may receive economic benefits from Schwab or another client’s custodian in the form of various products and services they make available to us and other independent investment advisers that may not be typically available to a “retail investor.” These benefits may include the following products and services (provided either without cost or at a discount):

- ◆ Receipt of duplicate client statements and confirmations;
- ◆ Pricing information and market data;
- ◆ Research related products and tools;
- ◆ Access to trading desks serving our clients; access to block trading which allows our firm to aggregate securities transactions for execution and then allocate the appropriate shares to our client’s accounts;
- ◆ The ability to have advisory fees deducted directly from our client’s accounts per our written agreement;

- ◆ Access to electronic communications networks for client order entry and account information;
- ◆ Access to mutual funds with no transaction fees and to certain institutional money managers;
- ◆ Discounts on marketing, research, technology, and practice management products or services provided to our firm by third party vendors; and
- ◆ Business consulting or other professional services. Some of the noted products and services made available by Schwab or another client custodian, through a sponsored program, may benefit our firm but may not directly benefit a client account, and certain research and other previously referenced services may qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934. The availability of these services from Schwab or another client custodian benefits City Different because we do not have to produce or purchase them as long as our clients maintain assets in accounts at these custodians. Therefore, there is an appearance of a conflict of interest since we may have an incentive to select or recommend a particular broker/dealer as custodian based on our firm's interest in receiving these benefits rather than on our clients' interest in receiving favorable trade execution.

In accordance with our fiduciary duty, City Different endeavors at all times to put the interests of our clients first. We believe it is important to mention that the benefit received by City Different through participation in a custodian's program does not depend on the amount of brokerage transactions directed to either Schwab or another client custodian, and our selection of Schwab and/or another client custodian is based on what we believe is in the best interests of our clients, considering the scope, quality, and price of custodial services rather than solely on the basis of those services that benefit only City Different.

### **Item 13: Review of Accounts**

Each strategy's portfolio management team conducts periodic reviews of client portfolios for adherence to the investment strategy and to confirm that investment performance is consistent with applicable investment guidelines. Portfolio teams monitor markets, world and economic events, and portfolio holdings on a continuous basis.

Certain factors would trigger additional review of a client portfolio. The frequency, interval, and scope of these reviews depend upon many factors, including but not limited to:

- ◆ Changes in market conditions;
- ◆ Re-balancing of assets to maintain proper asset allocation;
- ◆ Contributions or withdrawals of cash;
- ◆ Changes in investment restrictions, investment objectives, or investment policy; and/or
- ◆ Requirements that could be imposed by court order or by regulators (e.g., SEC, Department of Labor, etc.)

Clients should contact us if any changes occur in their investment objectives which may affect the investment management services provided by City Different.



A written investment report may be prepared by City Different and distributed to each direct account client quarterly. Such reports may indicate portfolio holdings, transactions during the period, annual income on holdings, yield, tax basis (where applicable), current price and current market value. Direct account clients also receive statements and confirmations directly from their independent custodian. Clients should carefully review the custodian statements and compare these statements to any account information provided by City Different. Custodial statements may vary from City Different reports based on differences between accounting procedures, reporting dates, or valuation methods for certain securities. Clients with any questions about the information provided by the custodian or City Different should contact us.

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

As noted in Item 12 above, City Different receives an economic benefit from Schwab, in the form of the support products and services made available to us and other independent investment advisers whose clients maintain their accounts at Schwab. Clients do not pay more for assets maintained at Schwab as a result of these arrangements. However, we benefit from the arrangement because the cost of these services would otherwise be borne directly by us. Clients should consider these conflicts of interest when selecting a custodian. The products and services provided by Schwab, how they benefit us, and the related conflicts of interest are described above in Item 12 – Brokerage Practices). City Different may enter into other similar arrangements with other custodians. City Different may enter into a written agreement with one or more unaffiliated third parties to provide client relations and marketing services, including the introduction of prospective advisory clients to the Firm. Such arrangements will be governed by a written agreement between parties. City Different expects to follow a standard fee schedule, with such fees borne by the Firm rather than the client.

At the time of solicitation, separate account clients will be informed of City Different's arrangement with the third party and will receive a copy of our Form ADV, and a written disclosure explaining the terms of arrangement, to be signed and returned to City Different. As a general practice, City Different will undertake due diligence to verify the third party's qualifications, regulatory standing, disciplinary history, and registration status.

## **Item 15: Custody**

All client assets are maintained with qualified custodians such as banks or registered broker-dealers. Clients select the custodian and receive account statements directly from the custodian at least quarterly. These statements are considered the official record of the client account and require careful review.

Certain qualified custodians, such as Schwab and Fidelity, allow City Different to deduct advisory fees directly from client accounts. City Different is deemed to have custody in these situations according to the Investment Advisers Act of 1940. If a client maintains an account with one of these custodians, the client authorizes us to debit fees directly from the account balance in accordance with the terms of the client's written agreement with the custodian. No less than quarterly, the custodian is required to send the client account statements indicating all amounts disbursed from the account, including the amount of investment management fees that were paid

to City Different. The principal risk associated with this limited form of custody is that a fee will be deducted that we are not entitled to under the terms of the client agreement. This risk can be mitigated by clients carefully reviewing their account statements provided by the custodian. Clients interested in receiving an invoice directly from City Different may contact us at any time.

We do not accept delivery of client securities, e.g., stock certificates, stock powers, bonds, etc., or checks and we have procedures in place to deal with instances of ‘inadvertent custody’ should they occur. However, we may provide other services on behalf of our clients that require disclosure in Form ADV Part 1, Item 9 (Custody). In particular, clients may choose to sign asset transfer authorizations that permit the qualified custodian to rely upon instructions from us to transfer client funds to “third parties.” In all such cases, City Different follows regulatory requirements to avoid inadvertent custody.

Assets held by Private Funds may not qualify to be held at qualified custodians. City Different will comply with the custody rule for funds and securities held by Private Funds, in part, by providing copies of audited financial statements of a Private Fund to all investors in the Private Fund. Further details are contained in the confidential offering documents of each Private Fund.

## **Item 16: Investment Discretion**

### **Discretionary Authority**

In many cases, City Different is granted discretionary authority from the client at the outset of the investment management relationship, in accordance with the terms outlined in the investment management agreement. Discretionary authority means that City Different is responsible for strategic investment decisions such as determining the investment strategy and broad asset allocation targets. The City Different portfolio management team responsible for each designated investment strategy retains the authority to determine which securities are to be bought or sold, the amounts of the securities to be bought or sold, and the timing of transactions. With the exception of directed brokerage arrangements outlined above, we retain the authority to select counterparties for client trade execution.

### **Non-Discretionary Arrangements**

Certain clients grant authority to City Different on a non-discretionary basis, which means that we will be required to contact the client or collaborate with the client prior to implementing changes in the client account. In such cases, clients will be contacted by telephone or electronic mail and asked to accept or reject City Different’s investment recommendations including: (1) the security being recommended, (2) the number of shares or units transacted, and (3) whether to buy or sell. Clients who authorize City Different to act on their behalf on a non-discretionary basis should be aware that if the client cannot be reached or is slow to respond to our request for approval, it can have an adverse impact on the timing of trade implementation and therefore City Different may not achieve the optimal trading price. Non-discretionary terms of engagement are specifically set forth in the Investment Management Agreement.

### **Investment Restrictions**

Clients may impose reasonable limitations or restrictions on City Different’s exercise of its discretionary authority. However, City Different reserves the right not to enter into an agreement

with a prospective client, or to terminate an agreement with an existing client if the proposed limitation or restriction is likely in the Firm's opinion to impair its fiduciary duty to the client or is otherwise believed by City Different to be administratively or practically not feasible. All such requests for limitations or restrictions must be provided by the client to City Different, in writing, and will not be effective or implemented until formally accepted by City Different.

### **UMA Arrangements**

City Different does not have discretionary investment authority over accounts in model-based programs.

## **Item 17: Voting Client Securities**

Clients have the right to delegate proxy voting authority to City Different with regard to certain portfolio securities. In upholding our fiduciary obligation to clients, City Different strives to keep proxy votes free from inappropriate influences. We exercise our voting responsibilities in a manner we believe is most likely to increase the value of the securities within the portfolio to benefit clients. City Different has adopted policies and procedures ("Procedures") that are used to vote proxies relating to portfolio securities. The Procedures are designed to ensure that proxies are voted in the best interests of clients, without regard to any relationship that any affiliated person of City Different could have with the issuer of the security. The responsibility for voting proxies relating to client portfolio securities has been delegated to the portfolio management team responsible for the applicable investment strategy. In accordance with the Procedures, the portfolio management team exercises its voting responsibility with the goal of maximizing value to shareholders consistent with governing laws and the investment policies of the client.

As a general matter, proxies are voted consistently in the same manner across multiple client accounts holding subject securities. In most cases, any potential conflict of interest regarding a proxy is avoided through the strict and objective application of the Procedures. However, when the portfolio management team is aware of a material conflict of interest regarding a proxy matter, the portfolio management team will address the material conflict by using any number of specified conflict management methods. While City Different uses best efforts to vote proxies, in certain circumstances, it may be impractical or impossible for us to vote proxies (e.g., limited value or unjustifiable costs). In such circumstances, we must balance the benefits to the clients of voting proxies against the potentially serious portfolio management consequences of a reduced flexibility to sell the underlying shares at the most advantageous time. As a result, we will generally not vote those proxies in the absence of an unusual, significant vote or compelling economic situation.

Clients may obtain a copy of City Different's voting policies and procedures as well as information on how proxies were voted for their account(s) by contacting the Chief Compliance Officer at 505-416-4550.

With respect to those client portfolios for which City Different is not authorized to vote proxies or to give consents in connection with corporate actions, such clients should arrange to receive proxy solicitation materials directly from their custodian. If clients have questions with respect to a particular proxy solicitation, please contact the Chief Compliance Officer at 505-416-4550.

Unless otherwise arranged pursuant to an agreement with a client, City Different is not obligated to, and typically does not, file claims or make decisions on a client's behalf in legal proceedings (including bankruptcies and class actions) relating to securities held or formerly held in a client's account. If City Different receives a class action notification or proof-of-claim form, it will forward such materials to the client if City Different has been instructed to do so by the client. If a client instructs us to forward such materials to the client's custodian, the client should (a) ensure that the custodian is capable of filing, and has the proper authorization to file, proofs of claim on the client's behalf, and (b) determine whether and how to file a request for exclusion from a specific class action settlement.

## **Item 18: Financial Information**

Registered investment advisers are required in this Item to provide clients with certain financial information or disclosures about City Different's financial condition. We do not solicit fees of more than \$1,200, per client, six months or more in advance. City Different 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.

## **Item 19: Requirements for State-Registered Advisers**

Not applicable.