

## **ITEM 1: COVER PAGE**

Verdis Investment Management  
("Verdis")

Form ADV, Part 2A  
(the "Brochure")

March 24, 2023

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This brochure provides information about the qualifications and business practices of Verdis Investment Management. If you have any questions about the contents of this brochure, please contact us at 610-397-1600 or [info@verdisinvestment.com](mailto:info@verdisinvestment.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

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

Verdis Investment Management may refer to itself as a "registered investment adviser" or "RIA". You should be aware that registration with the SEC or a state securities authority does not imply a certain level of skill or training.

## **ITEM 2: MATERIAL CHANGES**

Verdis' last update of this Brochure was filed with the SEC on March 30, 2022. There have been no material changes to Verdis' Form ADV Part 2A Brochure since Verdis' last annual updating amendment on March 30, 2022.

A summary of any material changes to this, and subsequent brochures, will be made available to you within 120 days of the close of the Adviser's fiscal year. The Adviser may also provide you with additional updates or other disclosure information at other times during the year in the event of any material changes.

You can request the most recent version of this brochure, free of charge, by contacting the Adviser at [info@verdisinvestment.com](mailto:info@verdisinvestment.com) or 610-397-1600. You can also obtain a copy by going to the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **ITEM 4: ADVISORY BUSINESS**

### *Firm Description*

Verdis Investment Management, LLC (“Verdis”) was founded in 2004 and has been in business for eighteen (18) years. Verdis provides management services and investment advisory services to the partners of Verdis Investment Management and their family members: (i) on a discretionary basis, to certain privately placed pooled investment vehicles (“Verdis Funds”) and (ii) on a discretionary or non-discretionary basis, to separately managed accounts (“Separate Accounts”) and wealth advisory clients (“Wealth Advisory Accounts” or “Wealth Advisory Services” or “Account”). Clients of such are “Clients” or “Advisory Clients.” Verdis Funds services are described in detail in a separate Form ADV Part 2. This Form ADV Part 2 addresses the firm’s discretionary or non-discretionary Wealth Advisory Account services. Wealth Advisory Accounts are managed, pursuant to a discretionary or non-discretionary Investment Management Agreement (IMA), in the agreed upon form and in accordance with the Client’s stated investment objectives, strategies, restrictions and guidelines.

Verdis Funds’ generally follow a “fund-of-funds” model, investing assets with or through third-party investment managers (each a “Manager”). Verdis generally places a portion of a Funds’ account’s assets (“Account”) in a “sleeve account” managed by the Manager or invests the Account into a pooled fund managed by the Manager (in each case, a “Vehicle”). Verdis screens each Vehicle through a rigorous due diligence process and active, ongoing monitoring.

### *Ownership*

The majority of Verdis is owned by parent company ViosCapital, LLC, which is owned and comprised of only Jamie Biddle, Partner and CEO, and Steve Kim, Partner, Investment Strategy & Risk Management.

### *Type(s) of Services Offered*

Verdis’ Wealth Advisory Services are currently offered exclusively to Verdis’ principals, employees and their respective family members/family entities. Through Wealth Advisory Services, Verdis determines appropriate asset allocation models and builds portfolios using investments in non-Verdis Vehicles as well as Verdis’ Funds. Depending on the arrangement with a Client, Verdis will make recommendations with respect to asset allocation and third-party investment managers (each a “Manager”), or a pooled fund managed by the Manager (in each case, a “Vehicle”), either directly to the Client or to the custodian or trust company used by the Client. Verdis’ systems have been designed to work with their Client’s providers of custodian and banking services, allowing Verdis to provide Wealth Advisory Clients advanced reporting capabilities to track Manager performance, monitor risk, and provide a comprehensive, aggregated view of the Client’s net worth by, among other things, presenting consolidated position information. Wealth Advisory Clients who invest in Verdis Funds may be granted information rights that are superior to those offered to other Clients.

The firm, along with each advisory Client, will produce an initial Investment Policy Statement (IPS). Verdis’ advice to Wealth Advisory Accounts may include general advice as to the investment of the Client’s Account, and may include recommending that such

Clients invest through or alongside Verdis Funds. The IPS will be updated annually as the Client's needs evolve over time. The IPS is intended to confirm the Client's investment goals and certain management policies that will be applicable to the Client's assets. It will also memorialize any restrictions that the Client wishes to place on the investment manager. The IPS will:

- Describe relevant circumstances;
- Describe the assets and accounts for which Verdis will be providing investment advice;
- Describe expected cash flow needs, time horizon and risk/return objectives for those assets and accounts;
- Reflect current asset allocations and establish acceptable target allocations;
- Once those targets are achieved, recommend and discuss rebalancing practices;
- Establish guidelines for judging the performance of the portfolio and the selected investment managers.

*Assets Under Management*

As of December 31, 2022, Verdis managed \$59.6 million in discretionary assets in Wealth Advisory Accounts, not including Wealth Advisory Clients' investments in the Verdis Funds.

## **ITEM 5: FEES AND COMPENSATION**

### *Billing*

Verdis bills Wealth Advisory Clients quarterly in advance and Verdis' billing policies are mandatory; Clients may not choose to be billed otherwise. Fees may be refunded if the Client(s) terminate his/her agreement prior to the end of such quarter. If this occurs, Verdis will refund the Client for the number of days in the quarter in which fees were collected in advance and Verdis' services were not used.

Fees for Wealth Advisory Services may be asset based or fixed, as negotiated with the Client and Verdis may waive or charge different types of fees for these services, in its discretion. Wealth Advisory Clients may terminate their advisory agreement upon appropriate notice to Verdis, as set forth in the IMA, and pre-paid fees will be refunded *pro rata*.

Verdis' fees for Wealth Advisory Services are separate and apart from fees charged with respect to investments in Verdis Funds. As a result, except as otherwise agreed, Wealth Advisory Clients who invest in a Verdis Fund pay two levels of fees with respect to such investments: the Wealth Advisory fee for Verdis' asset allocation and non-discretionary or discretionary advice service (including advice with respect to investments in Verdis Funds) and the applicable Verdis Fund Fees, which cover Verdis' investment advisory services to the Verdis Funds.

Verdis does not charge any additional management fees or incentive fees to Investors who pay Verdis a fee based on assets under management when such investors invest in Verdis' funds-of-funds.

### *Other Fees*

Verdis typically does not charge any additional fees associated with its management services, however, additional services that warrant additional fees would be clearly outlined in the Client's advisory contract. Some of the securities purchased for a Client from broker dealers could involve fees, commissions or charges. Verdis will not receive any compensation in these cases and will only be compensated pursuant to the advisory contract with the Client.

### *Cash Positions*

While each Account is generally expected to be fully invested, an Account or privately placed pooled investment vehicles ('Private Fund') may hold cash positions for investment, defensive, hedging or collateral purposes or as a result of contributions or in anticipation of redemptions. In the event that Verdis believes in its sole judgment that there is not sufficiently good value in securities suitable for investment in accordance with the relevant strategy, all or a substantial percentage of an Account's capital may be held in cash, cash equivalents or other short-term instruments including, without limitation, money market funds. When money market funds are used for cash management purposes, the Account, in effect, pay two advisory fees with respect to assets so invested (*i.e.*, the money market fund's fees and expenses and that portion of Verdis' fee attributable to those assets).

### *Responsibility for Additional Charges and Costs*

Except as otherwise agreed, each Account bears (and the fees described above do not include) custodial charges, brokerage fees or commissions and related costs and expenses, taxes, duties and other governmental charges, transfer fees, registration fees and other expenses and charges associated with the purchase, holding or sale of assets, costs and charges associated with making deposits in connection with foreign exchange transactions, withholding taxes payable and required to be withheld by issuers, their agents or others, and audit, administrative and other expenses necessary or appropriate to a Verdis Fund's regulatory or tax compliance, business or investment operations (e.g., a *pro rata* share of portfolio management software and hardware and database access); fees paid to the Verdis Fund's administrator; and such other expenses as may be set forth in the relevant Governing Documents (Investment Policy Statement (IPS) and Investment Management Agreement (IMA)). Wealth Advisory Clients bear the expenses of Verdis Funds and other Vehicles in which they invest on a *pro rata* basis, including, with respect to open-end funds (including money market funds used for assets pending investment), unit investment trusts, closed-end funds, or other pooled vehicles, management, administrative, and distribution and service (Rule 12b-1) fees. Verdis Funds or Vehicles investing in such products bear similar fees and expenses. Fees, expenses, costs and charges will reduce the assets held in (and the gross return experienced by) relevant Accounts.

#### *Sales-based Compensation*

Verdis does not provide sales-based compensation in the form of sales commission. Employees receive a discretionary bonus. Additionally, all Verdis officers and employees have an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interest. Verdis' Code of Ethics and Compliance establishes a framework, as well as specific guidelines, to provide direction to officers and employees. Employees certify on an annual basis adherence to Verdis' Code of Ethics and Compliance, including conflicts of interest policy. In general, Verdis believes the use of good judgment, based on high ethical principles, will guide employees with respect to lines of acceptable conduct. Should a situation arise where there exists a potential conflict of interest, the firm's senior management team, with the guidance of its Chief Compliance Officer and, when necessary, outside counsel, would determine the appropriate course of action.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

### *Performance-based Fees*

Verdis is only compensated pursuant to its advisory contract with the Client. The fee is calculated only as a percent of assets under management (AUM). Verdis does not charge management advisory assets based on a performance fee.

As mentioned in Item 5, all Verdis officers and employees have an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interest. Verdis' Code of Ethics and Compliance establishes a framework, as well as specific guidelines, to provide direction to officers and employees. Employees certify on an annual basis adherence to Verdis' Code of Ethics and Compliance, including conflicts of interest policy. In general, Verdis believes the use of good judgment, based on high ethical principles, will guide employees with respect to lines of acceptable conduct. Should a situation arise where there exists a potential conflict of interest, the firm's senior management team, with the guidance of the Chief Compliance Officer and, when necessary, outside counsel, would determine the appropriate course of action.

### *Conflicts of Interest Associated with "Side-by-Side" Management*

From time to time, Verdis may take an investment position or action for one or more Accounts that may be different from, or inconsistent with, an action or position taken for one or more other Accounts having similar or differing investment objectives and such actions may be taken at differing, and potentially inopportune, times. When a position is established or disposed for one Account ahead of, or contemporaneously with, similar portfolio decisions or strategies for another Account, market impact, liquidity constraints, or other factors could result in one or more Accounts receiving less favorable trading results, the costs of implementing such portfolio decisions or strategies could be increased, such Accounts could be diluted, the values, prices or investment strategies of another Account could be impaired or such Accounts could otherwise be disadvantaged. The nature and amount of compensation paid to Verdis that may be managed to investment strategies which involve investing in similar, competing or conflicting investments, may differ. Verdis faces a potential conflict of interest when (i) the actions taken on behalf of one Account may impact other similar or different Accounts (*e.g.*, because such Accounts have the same or similar investment strategies or otherwise compete for investment opportunities, have potentially conflicting investment strategies or investments, or have differing ability to engage in short sales and economically similar transactions) and (ii) Verdis and its personnel have differential interests in such Accounts (*i.e.*, expose Verdis or its related persons to differing potential for gain or loss through differential ownership interests) because Verdis may have an incentive to favor certain Accounts over others that may be less lucrative. Such conflicts may present particular concern when, for example, Verdis places or allocates the results of securities transactions that Verdis believes could more likely result in favorable performance or engages in cross trades. To mitigate these conflicts, Verdis' policies and procedures seek to provide that investment decisions are made in accordance with the fiduciary duties owed to such Accounts and without consideration of Verdis' (or such personnel's) monetary, investment or other financial interests.



## **ITEM 7: TYPES OF CLIENTS**

### *Types of Clients*

Wealth Advisory Accounts include separately managed accounts principally for the firm's principals, employees and their respective family members/family entities. Wealth Advisory Accounts are typically individuals or trusts. The firm, along with each advisory Client, will produce Governing Documents which detail the level of discretion Verdis has over the Client's assets. In some instances, Verdis does not have discretion and in others it does.

### *Investment Minimums*

For a Wealth Advisory Account, Verdis generally requires a minimum of \$20 million in investible assets for an investor.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### *Participation or Interest in Client Transactions*

Verdis may provide investment advisory services to numerous Accounts that may rely on various, complementary, competing and, in some cases conflicting, investment strategies and it, or its principals, officers, members, employees, affiliates or agents (each, a “related person” of Verdis) may give advice and take action with respect to such Accounts, or for its or their own accounts, that may differ from actions taken on behalf of others. Verdis’ related persons may invest (directly or through affiliates of Verdis) in private funds (including Verdis Funds and Vehicles) or with Managers that, in turn, may invest in securities held by other Verdis Funds or by Wealth Advisory Clients. Verdis is not obligated to recommend, buy or sell, or refrain from buying or selling any security that Verdis or its related persons may buy or sell for its or their own account or any other Account Verdis manages. As a result, from time to time, related persons of Verdis may have interests in securities held by or recommended by Verdis to Clients.

### **The following are investments in which Clients may or may not invest and their related risks;**

#### *Fund May Lose Value*

There can be no assurance that a Fund will achieve its investment objectives and past performance should not be seen as a guide to future returns. The value of investments and the income derived may fall as well as rise and investors may not recoup the original amount invested in a Fund. An investment in a Fund may also be affected by any changes in exchange control regulation, tax laws, withholding taxes, international, political and economic developments, and government, economic or monetary policies. Closed-end funds often trade at a discount to net asset value. Any fees paid as a result of the services offered by Verdis are separate and distinct from the fees and expenses charged by mutual funds or other issuers. Certain funds may have additional risks that would be described in detail in the Fund’s prospectus or other offering document.

#### *Asset Allocation*

Asset allocation does not guarantee a profit or protection from losses in a declining market. The investment objectives of one or more of the portfolio management schemes could result in concentration on a specific asset/asset class/sector/issuer etc., which could lead to a non-diversified portfolio, which tends to be more volatile than a diversified portfolio. Each portfolio will be exposed to various risks depending on the investment objective, investment strategy and the asset allocation. The investment objective, investment strategy and the asset allocation may differ from Client to Client. However, generally, highly concentrated portfolios with lesser number of stocks will be more volatile than a portfolio with a larger number of stocks. Portfolios with higher allocation to equities will be subject to higher volatility than portfolios with low allocation to equities.

### *Cash Equivalents*

There are risks associated with these investments including credit risk, interest rate risk, shortfall risk and loss of purchasing power due to inflation. Although money market funds seek to preserve their value at \$1.00 per share, it is possible to lose money by investing in money market funds.

### *Interest Rate Risk*

A Fund that invests in bonds and other fixed income securities may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes.

### *Credit Risk*

A Fund which invests in bonds and other fixed income securities is subject to the risk that issuers may not make payments on such securities. An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security may also offset the security's liquidity, making it more difficult to sell. Funds investing in lower quality debt securities are more susceptible to these problems and their value may be more volatile.

### *Foreign Exchange Risk and Hedging*

Because a Fund's assets and liabilities may be denominated in currencies different to its base currency, the Fund may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rates between the base currency and other currencies. Changes in currency exchange rates may influence the value of a Fund's shares, the dividends or interest earned and the gains and losses realized. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions. If the currency in which a security is denominated appreciates against the base currency, the value of the security will increase. Conversely, a decline in the exchange rate of the currency would adversely affect the value of the security. A Fund may engage in foreign currency transactions in order to hedge against currency exchange risk; however there is no guarantee that hedging or protection will be achieved. This strategy may also limit the Fund from benefiting from the performance of a Fund's securities if the currency in which the securities held by the Fund are denominated rises against the base currency.

### *Futures and Options in Funds*

Funds may invest in options and futures on securities, indices and interest rates for the purpose of efficient portfolio management. Also, Funds may invest in futures, options or forward foreign exchange contracts to hedge market and currency risks. Transactions in futures carry a high degree of risk. The amount of the initial margin is small relative to the value of the futures contract so that transactions are "leveraged" or "geared". A relatively small market movement will have a proportionately larger impact which may work for or against the investor. The placing of certain orders which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. Transactions in options also carry a high degree of risk. Selling ("writing" or "granting") an option generally entails considerably greater risk than

purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obliged either to settle the option in cash or to acquire or deliver the underlying investment. If the option is "covered" by the seller holding a corresponding position in the underlying investment or a future on another option, the risk may be reduced.

#### *International Markets*

The risks associated with investing on a worldwide basis include differences in regulation of financial data and reporting, currency exchange differences, as well as economic and political systems that may be different from those in the United States.

#### *Emerging Markets*

Economies in Emerging Markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries in which they trade. Because of the special risks associated with investing in Emerging Markets, Funds which invest in such securities should be considered speculative. Investors in such Funds are advised to consider carefully the special risks of investing in emerging market securities. Brokerage commissions, custodial services and other costs relating to investment in Emerging Markets generally are more expensive than those relating to investment in more developed markets. Lack of adequate custodial systems in some markets may prevent investment in a given country or may require a Fund to accept greater custodial risks in order to invest, although the custodian will endeavor to minimize such risks through the appointment of correspondents that are international, reputable and creditworthy financial institutions. In addition, such markets have different settlement and clearance procedures. In certain markets there have been times when settlements have been unable to keep pace with the volume of securities transactions, making it difficult to conduct such transactions. The inability of a Fund to make intended securities purchases due to settlement problems could cause the Fund to miss attractive investment opportunities. Inability to dispose of a portfolio security caused by settlement problems could result either in losses to a Fund due to subsequent declines in value of the portfolio security or, if a Fund has entered into a contract to sell the security, could result in potential liability to the purchaser. The risk also exists that an emergency situation may arise in one or more developing markets as a result of which trading of securities may cease or may be substantially curtailed and prices for a Fund's securities in such markets may not be readily available. Investors should note that changes in the political climate in Emerging Markets may result in significant shifts in the attitude to the taxation of foreign investors. Such changes may result in changes to legislation, the interpretation of legislation, or the granting of foreign investors the benefit of tax exemptions or international tax treaties. The effect of such changes can be retrospective and can (if they occur) have an adverse impact on the investment return of shareholders in any Fund so affected.

### *Sector Risk*

Funds which concentrate their portfolio in a specific sector may carry a higher degree of risk due to lower diversification and sector-specific risks (e.g. companies in the technology sector are at risk from new technologies and face a high risk of obsolescence as a result of technological advances, etc.). Because these investments are limited to a relatively narrow segment of the economy, the Funds' investments are not as diversified as most funds. This means that these Funds tend to be more volatile than other funds and their portfolio values can increase or decrease more rapidly. The performance of each Fund may differ in direction and degree from that of the overall stock market.

### *Small and Mid Capitalization*

Funds which include smaller capitalization companies, may involve greater risk than Funds investing in larger, more established companies. For example, smaller capitalization companies may have limited product lines, markets and financial or managerial resources. As a result, price movements in securities of smaller capitalization companies may be more volatile. Transaction costs in securities of smaller capitalization companies can be higher than those of larger capitalization companies and there may be less liquidity.

### *Alternative Investment*

These provide investors with exposure to markets and investment strategies that cannot be accessed through traditional fixed income and equity markets (such as real estate, commodity or natural resources). Certain risks may include the following: loss of all or a substantial portion of the investment due to leveraging, short selling or other speculative practices; lack of liquidity in that there may be no secondary market for the fund or the securities that make-up the fund, and none may develop or expected to develop; volatility of returns; restrictions on transferring interests in the fund; absence of information regarding valuations and pricing; complex tax structures and delays in tax reporting; adviser risk; and less regulation and potentially higher fees than traditional mutual fund strategies. Investing in these investments is speculative, not suitable for all Clients, and intended for experienced and sophisticated investors who are willing to bear the high economic risks of the investments.

### *Non-Investment Grade Debt*

Credit risk is more pronounced for investments in fixed-income securities that are rated below Investment Grade or which are of comparable quality. The risk of default may be greater and the market for these securities may be less active, making it more difficult to sell the securities at reasonable prices, and also making valuation of the securities more difficult. A Fund may incur additional expenses if an issuer defaults and the Fund tries to recover some of its losses in bankruptcy or other similar proceedings.

**ITEM 9: DISCIPLINARY INFORMATION**

Not Applicable.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Verdis has material business relationships with the General Partnerships (GP) of Verdis Funds. While Verdis serves as the General Partner (GP) for the Verdis Funds in the Verdis Hedged (VH) strategy and Verdis Opportunistic Global Equity (VOGE) strategy, a separate General Partner, Verdis Private Equity Partners, LLC serves as General Partner to the Verdis Private Equity (VPE) strategy. A third General Partner, Verdis Real Assets Capital, LLC serves as the General Partner for the Verdis Funds in the Verdis Real Assets (VRA) strategy. A fourth General Partner, VRAF III GP, LLC, serves as the General Partners for the Verdis Funds in the VRE and VER strategies. A fifth General Partner, University Terrace GP LLC, serves as the General Partner to the VDRE strategy. A sixth General Partner, VSVC II GP, LLC serves as the General Partner to the standalone fund that follows the VSVC strategy.

### *Private Funds*

As noted above, Verdis or an affiliate of Verdis serves as GP (or in a similar capacity) for each Verdis Fund. Wealth Advisory Clients are typically advised to invest in one or more Verdis Funds. Not every Verdis Fund will be appropriate for each Wealth Advisory Client, not all Wealth Advisory Clients will be offered the opportunity to invest in any particular Verdis Fund, nor will all who are offered such opportunity choose to invest. Except as otherwise agreed, Wealth Advisory Clients pay fees at both the Account and Verdis Fund level with respect to such investments. Given these compensation arrangements and the significant role Verdis plays with respect to the Verdis Funds, Verdis has an incentive to recommend Verdis Funds to Wealth Advisory Clients. Further information about the Verdis Funds is made available to current and qualified prospective Investors in the relevant PPM or in a separate ADV Part 2 which is also available upon request.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### *Code of Ethics*

Verdis' Code of Ethics and Compliance was adopted in accordance with Rule 204A-1 under the Advisers Act ("Rule 204A-1") to govern personal transactions by access persons and to assure that their interests do not conflict with the interests of managed Accounts or, as applicable, Investors in Private Funds. As such, Verdis' code includes: (i) standards of business conduct, requiring that covered persons comply with relevant provisions of the federal securities laws and the fiduciary duties an investment adviser owes to its Clients; (ii) personal securities transaction policies governing the personal investment activities of relevant personnel and requiring the submission by such persons of reports regarding their personal trading accounts and activities; and (iii) an insider trading policy, adopted in conformity with Section 204A of the Advisers Act. Clients may obtain a copy of our code of ethics and compliance upon request. Verdis' contact information appears on the cover page of this Brochure.

Under the Code, Verdis' directors, officers, and employees are held to the highest standard of honest and ethical conduct when conducting the firm's affairs. These persons are expected to be familiar with (and adhere to) those principles and procedures set forth in the Code, to the extent applicable, and have agreed to be governed by the Code in order to:

- promote honest and ethical conduct, including fair dealing and the ethical handling of conflicts of interest;
- promote full, fair, accurate, timely, and understandable disclosure;
- promote compliance with applicable laws and governmental rules and regulations;
- promote the prompt internal reporting of violations of the code;
- establish accountability for adherence to the code;
- ensure the protection of Verdis' legitimate business interests, including corporate opportunities, assets, and confidential information; and
- deter wrongdoing.

A copy of the Code is available to current and prospective Clients upon request and without charge.

### *Standards of Business Conduct*

A basic tenet of Verdis' Code is that the interests of Clients are always placed first. The Code includes standards of business conduct requiring covered persons to comply with the federal securities laws and the fiduciary duties an investment adviser owes to its Clients. Verdis' standards of business conduct, among other things: (i) restrict such persons from (a) giving or accepting certain gifts and inducements from or to Clients or others doing business with the firm when such gifts or inducements may present a material conflict of interest or (b) otherwise taking advantage of their position with Verdis; and (ii) require that access persons (a) treat Clients fairly and consistently with Verdis' compliance procedures, (b) provide disinterested advice to Clients insulated from personal or business conflicts of interest and (c) report potential violations of the Code to Verdis' Chief Compliance Officer (CCO). Failure to comply with the Code may result in serious sanctions, up to and including dismissal or personal liability.



### *Personal Securities Transactions Policy*

Verdis' Code also includes a personal securities transactions policy which imposes certain requirements and restrictions with respect to personal trading and investment activity by access persons. In appropriate circumstances the CCO may grant waivers to the Code's restrictions.

As required by Rule 204A-1, any access person seeking to participate in an initial public offering ("*IPO*") or limited offering or private placement (including the purchase or acquisition of interests in a Verdis Fund) must obtain prior approval from Verdis' CCO ("*pre-clearance*") in order to invest. Vehicles are typically offered through private placements and, as such, are subject to pre-clearance. Verdis typically will not permit an access person to invest in a Vehicle on a personal basis except where such investment will not disadvantage any Client. Thus, such investments will be permitted only when a Vehicle has sufficient capacity to support the personnel investments and all relevant Client Accounts.

Additionally, access persons generally will not be permitted to execute transactions in specified securities on the same day that Verdis executes a Client transaction in the same (or a related) security nor will Verdis typically grant pre-clearance for access person purchases of securities Verdis knows to be held in or considered for a Client Account. However, as noted above, Verdis' manager-of-managers style is such that Verdis does not exercise discretion over all of a Client Account on a day-to-day basis. Rather, Verdis selects Vehicles to fulfill all or a portion of the Client Account's investment program and the Managers of the Vehicles utilized in the management of Client Accounts have discretion to select the investments held through such Vehicle (*e.g.*, where a Vehicle is a private fund managed by a Manager selected by Verdis, the Manager has discretion over the investments purchased, held and sold by the private fund). Because Verdis often does not have access to (or knowledge of) the investment decisions made by such Managers, it cannot always be aware of the particular securities held by, or transactions pending for, a Vehicle. Consequently, it is possible that Verdis or its related persons may have the same or divergent interests in investments held through, or transactions executed on behalf of, a Vehicle. However, Verdis considers any available information about transactions pending for, and the holdings of, Vehicles when making pre-clearance decisions to assure (to the extent practicable) that Clients are not disadvantaged by an access person's personal trading activities. Where Verdis or an access person has actual knowledge of pending transactions within a Vehicle or reasonably believes that a personal securities transaction is likely to disadvantage or represent a material conflict of interest with a Client, Verdis may limit or preclude such personal securities transactions.

### *Insider Trading Policy*

Verdis and its related persons may, from time to time, come into possession of material nonpublic and other confidential information which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, Verdis may be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, regardless of whether such other person is an advisory Client. Accordingly, should Verdis come into possession of material nonpublic or other confidential information with respect to any company, it may be prohibited from communicating such information to, or using such information for the benefit of its

managed Accounts, and have no obligation or responsibility to disclose such information to, nor responsibility to use such information for the benefit of, such Accounts when following policies and procedures designed to comply with law. Accordingly, Verdis' Code includes an "Insider Trading Policy" which establishes procedures to prevent the misuse of material nonpublic information by Verdis' supervised persons.

*Reporting Requirements under the Code*

To assist Verdis in monitoring personal trading activities in order to detect potential conflicts of interest or violations of the Code, fiduciary duty or applicable law, access persons must provide periodic reports with respect to personal securities transactions, holdings and accounts, including annual reports of holdings in certain, reportable securities and quarterly reports of their personal transactions in reportable securities. To facilitate compliance with reporting requirements, access persons may direct their brokers to send copies of all brokerage statements and confirmations relating to all personal securities transactions and accounts in which they have a beneficial ownership interest. These reports and relevant brokerage statements and confirmations are submitted to and reviewed by the CCO. The CCO's reports and pre-clearance requests will be reviewed by another appropriate officer of Verdis. If any violation of the Code, fiduciary duty or applicable law with respect to trading activities is determined to have occurred, the CCO may impose sanctions and take such other actions, including, without limitation, requiring that the trades in question be reversed and/or profits be disgorged.

## **ITEM 12: BROKERAGE PRACTICES**

### *Recommendation of Brokers or Custodians*

Occasionally, a Wealth Advisory Client may request that Verdis provide information about brokers or custodians that may be used by the Client, either for its Wealth Advisory Account or for brokerage or custodial services unrelated to that Account. In these cases, Verdis considers the needs of the individual Client and the characteristics of the brokerage account as well as, where appropriate, the criteria discussed above such as cost, execution capability, research and other services provided by the broker-dealer; however, in each case, the Client or Investor is responsible for determining its own custody arrangements. Verdis does not maintain agreements with any broker to receive “credit” for referrals or for commissions generated in relation thereto.

### *“Soft Dollar” or Research/Execution Policy*

Client commissions and commission equivalents charged by broker-dealers often cover services beyond “pure” execution of the particular transaction. Brokers typically provide a bundle of services including research and execution of transactions. Research services provided by a broker can be either proprietary (created and provided by the broker, including tangible research products as well as access to analysts and traders) or third-party (created by a third party but provided by the broker). A Manager (or Verdis, to the extent it exercises discretionary authority) may consider research and other services provided by brokers in making trading decisions and, as it deems appropriate, may use a portion of the commissions generated when executing Client transactions (commonly referred to as “soft dollars”) to acquire useful research and brokerage services (“soft dollar items”) in a manner consistent with the “safe harbor” provided by Section 28(e) of the Securities Exchange Act of 1934.

Under the safe harbor, as it has been interpreted by the SEC, advisers may use soft dollars to acquire soft dollar items even where such soft dollar items may also be available for cash, to the extent appropriate and permitted by law, when such items assist the adviser in meeting Clients’ investment objectives or in managing Client accounts. In order to maintain the protection of the safe harbor when “paying up” (*i.e.*, paying more than the lowest available commission rate) for soft dollar items, an adviser must determine that the soft dollar item:

- (i) with respect to research, consists of advice, analyses or reports containing substantive content with respect to appropriate subject matter(s) or (ii) with respect to brokerage, is sufficiently related to the effectuation, clearance or settlement of a transaction and is provided and/or used during the time period commencing when the adviser communicates with the relevant broker-dealer for the purpose of transmitting an order for execution and concluding when the funds or securities are delivered or credited to the advised account or accountholder’s agent (the “temporal standard”);
- provides lawful and appropriate assistance to the adviser in carrying out its relevant responsibilities to discretionary accounts; and
- is acquired for an amount of commissions which is reasonable in relation to the value of the product or service.

The following discussion summarizes Verdis' policies with respect to its use of soft dollars and its consideration and review of a Manager's soft dollar policies and practices:

Verdis does not currently use soft dollars. Soft dollar items that may or may not be used by a Manager include: research reports and analyses; access to analysts, traders and industry participants; information about markets and the availability of investment opportunities; and products which assist in the communication, execution or settlement of transactions. Although Clients are expected to benefit from these soft dollar items, Verdis (if it were to use soft dollars) or a Manager would also benefit, as the receipt of soft dollar items may allow Verdis or the Manager, at no direct cost, to among other things: (i) supplement and enhance its own research and analysis activities; (ii) receive the views and information of individuals and research staffs of other securities firms; and (iii) gain access to persons having special expertise on certain companies, industries, areas of economy and market factors and/or achieve trading efficiencies. Thus, these services may benefit the adviser as well as the accounts it manages.

In accordance with Verdis' or a Manager's applicable policies and procedures, Verdis or a Manager may select broker-dealers based on an assessment of each broker-dealer's ability to provide quality executions and a belief that any soft dollar items provided by such broker-dealer benefit Clients. Accordingly, an Account may be caused to pay a commission in excess of the lowest commission that might otherwise be available if Verdis or the Manager, as applicable, determines in good faith that such excess is reasonable in relation to the value of the soft dollar items provided by those broker-dealers, viewed either in terms of a particular transaction or the overall duty to such Accounts.

Consistent with Verdis' belief that brokerage is a Client asset, Verdis seeks (and expects that Managers will seek) to use soft dollars associated with Client transactions responsibly to benefit Clients. However, soft dollar items will not always be utilized for the specific Account that generated the soft dollars. First, the value of soft dollar items often cannot be measured precisely and commissions costs associated with the acquisition of soft dollar items are not generally able to be allocated among accounts in direct proportion to the value of the soft dollar item to each account. Second, where transactions are batched for execution, brokerage commissions attributable to one or more participating accounts may be allocated to brokers who provide statistical data and other research used in managing the accounts of other Clients, and vice versa. Thus, at least in the short run, commissions paid in one account may, in effect, subsidize soft dollar items that are used in managing another Account – and, where soft dollars are generated in a portion of an account committed to a Vehicle, benefits may be shared with (or inure exclusively to) other accounts managed by the Manager. However, as these soft dollar items are intended to enable the relevant adviser to make better investment decisions and execute more effective trades for all Clients, the safe harbor allows an adviser to consider either a particular transaction or the overall duty owed to discretionary accounts when determining that paying up for soft dollar items is appropriate. As such, if Verdis were to use soft dollars, it would not expect to attempt to allocate soft dollar items among Accounts (nor does Verdis expect that Managers will do so).

Where a soft dollar item includes multiple uses some of which are not consistent with the safe harbor (a "*mixed use item*"), the adviser may allocate soft dollars for a portion of the

mixed use item and pay the remainder in cash. Although the allocation between soft dollars and cash is not always capable of precise calculation, Verdis (or a Manager) will make a good faith effort to allocate such items reasonably.

In considering currency transactions and, when applicable, other direct investments, appropriate members of Verdis' team will meet periodically (as necessary based upon the type of security and/or frequency of trades) to review Verdis' best execution efforts, considering the quality of executions received and the costs of such executions (*e.g.*, spreads, mark-ups/mark-downs, commissions and commission equivalents), in order to determine what changes, if any, should be made in its brokerage arrangements.

### **ITEM 13: REVIEW OF ACCOUNTS**

#### *Reviews*

The Client agrees to investment objectives and guidelines in writing pursuant to Client's completion and execution of an (IPS). The IPS is updated annually. Verdis performs ongoing review of each Wealth Advisory Account's portfolio in accordance with the IPS. The composition of each Account is generally reviewed on a regular basis by members of Verdis' investment team and in consultation with investor relations personnel (mainly the Chief Executive Officer) who have specific knowledge of Client investments, asset allocation plans and other pertinent information. The review includes an analysis of the diversification of the portfolio's assets, including exposure to market and other risks, and a review of the performance of the Vehicles used. Accounts are also reviewed periodically to ensure conformity with stated investment guidelines and objectives.

#### *Reports*

Upon reasonable request, Verdis' personnel are available to meet with Wealth Advisory Clients and will tailor reporting to meet the particular needs of a Client. Verdis may rely on information provided by affiliates or third parties in preparing reports. To the extent reports include or rely upon information from a source other than Verdis (e.g., index information when a report includes a comparison of a Verdis Fund's performance to one or more indices), Verdis attempts to obtain such information from reliable sources, however the accuracy of such information cannot be guaranteed. Additionally, reports may include or rely upon fair value determinations made by a Manager, Verdis or a third party. While such valuations are made in good faith, their actual or empirical accuracy cannot be guaranteed.

Verdis' systems have been designed to work with multiple providers of custodian and banking services, allowing Verdis to provide Wealth Advisory Clients advanced reporting capabilities to track manager performance, monitor risk, and provide a comprehensive, aggregated view of the Client's net worth by, among other things, presenting consolidated position information. Wealth Advisory Clients generally receive statements quarterly (or as agreed in the relevant IMA) including a portfolio statement summarizing investments made or sold and a performance report showing historical performance against one or more relevant benchmarks and may also receive periodic market reports or updates from Verdis. If requested or as required by the Rule 206(4)-2 under the Advisers Act ('Custody Rule'), Wealth Advisory Clients are provided copies of any and all custodial statements for their Accounts, a statement indicating account transactions during the period and copies of any and all brokerage confirmations for securities transactions executed on their behalf.

**ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

Not applicable

### **ITEM 15: CUSTODY**

Due to certain arrangements, Verdis may be deemed to have “custody” of Client accounts within the meaning of Rule 206(4)-2 under the Advisers Act because Verdis may have access to or authority over Client funds and securities for purposes other than issuing trading instructions. If the Adviser is deemed to have custody over an Account, the custodian will send the Client periodic account statements (generally on a quarterly basis) indicating the amounts of any funds or securities in the Account as of the end of the statement period and any transactions in the account during the statement period. Clients should review these statements carefully. Additionally, they should contact Verdis immediately if they do not receive account statements from their custodian on at least a quarterly basis. Verdis may provide Clients, separately, with reports or account statements providing information about the Account. Clients should compare these carefully to the Account statements they receive from their custodian. If Clients should discover any discrepancy between the Account statements, they should contact Verdis immediately.



## **ITEM 16: INVESTMENT DISCRETION**

### *Authority*

Verdis has investment discretion for some Wealth Advisory Clients. Before such discretion is used, Verdis and each applicable Client sign a 'Discretionary Advisory Agreement' ("Agreement") which provides Verdis the authority for investment discretion. Where Verdis does not have discretion, Verdis may not act on Client's behalf without first consulting the Client and obtaining Client consent, and Verdis may not withdraw or transfer any funds from any Client Account, except as provided in the Agreement or pursuant to proper Instructions. Verdis' limited authority under the Agreement remains in effect until the Client changes or terminates it in writing.

### *Investment Discretion*

Through relevant IMAs and Governing Documents, Clients and/or Investors retain Verdis to select Vehicles and other assets for their Accounts, consistent with established investment objectives, guidelines and restrictions. Depending on those arrangements, Verdis may or may not have discretionary authority to make the following determinations on behalf of each Account (or to utilize a Vehicle to make such determinations):

- Which securities to buy or sell;
- The total amount of securities to buy or sell;
- The prices at which securities are to be bought or sold;
- The broker or dealer through which transactions are executed; and
- Where applicable, commission rates or other charges (e.g., dealer spreads or mark-ups/mark-downs and other transaction costs) for such transactions.

The Client agrees to investment objectives and guidelines in writing pursuant to Client's completion and execution of an Investment Policy Statement (IPS) with Verdis. Clients may limit Verdis' discretionary authority under certain circumstances and Verdis' ability to exercise discretionary authority is limited by the Client's investment objectives, guidelines, restrictions and relevant provisions of the IMA. Moreover, Verdis may, with respect to all or part of a Client relationship, provide non-discretionary investment advice or accept Accounts where investment discretion is limited by the Client through the imposition of investment restrictions. Verdis reserves the right to reject investment restrictions that it believes would be impracticable.

In the instances in which Verdis has discretion, Verdis will make all decisions to buy, sell or hold securities, cash or other investments for Client's account (s) at the sole discretion of Verdis and without first consulting Client. Such securities may include, but are not limited to, pooled investment vehicles, interests in mutual funds, interests in REITS, common or preferred stock, convertible stocks or bonds, options, warrants, rights, corporate, municipal or government bonds, and notes or bills. Client gives Verdis full power and authority to carry out these decisions by giving instructions, on behalf of Client, to brokers, dealers and the custodian for Client's account(s). Client also authorizes Verdis to provide a copy of an agreed upon discretionary advisory agreement to any broker or dealer with or through which transactions for Client's account(s) are to be effected as evidence of Verdis' authority under the agreement.

### *Investment Objectives*

Each Client meets with representatives of Verdis and discusses investment objectives, guidelines, fiduciary responsibilities, and risk tolerance applicable to each Account, including any restrictions imposed by the terms of the applicable trust agreement or the laws of any jurisdiction of which Client is aware. The Client agrees to such objectives and guidelines in writing pursuant to Client's completion and execution of an Investment Policy Statement (IPS) with Verdis. The Client agrees to promptly notify Verdis in writing of any modifications or amendments to these objectives, guidelines, or restrictions, or to any other information that may affect an Account or Verdis' recommendations for an Account. The Client is required to provide Verdis with additional information as it may reasonably request. Verdis reads and understands the Client's objectives, guidelines and restrictions, and recommends strategies it deems appropriate that meet the objectives, guidelines, and restrictions.

### *Trade Execution*

Verdis, to the extent necessary and as authorized by the Client or the trustee for an Account, will arrange for broker-dealers to execute transactions for each Account. Each Client understands that investment advisers generally have a duty to seek best execution and select broker-dealers to execute transactions on behalf of their Clients based on best execution. Client understands that Verdis will not act as principal in effecting any transaction for any Account. Verdis will not receive any commissions, mark-ups, or other transactional fees for executing the Account's trades, but will be compensated only pursuant to the Agreement. Some of the securities purchased for an Account, however, will be purchased from brokers or dealers who may charge mark-ups, spreads, commissions or other charges. Each Client understands that mark-ups and spreads may be included in the cost of securities purchased for that Account.

### *Investment and Brokerage Decisions and Review*

Under Verdis' fund-of-funds approach, each Client's investment objectives are principally fulfilled through the selection of Vehicles (*i.e.*, direct or indirect investment in a pooled product or separate account managed by a Manager). Each Vehicle's Manager generally will have investment and brokerage discretion over the assets committed to its management. While Verdis does not maintain day-to-day authority over a Manager's decisions, Verdis' Manager diligence, selection, retention and evaluation processes consider the Manager's overall effectiveness – including the Manager's prudent exercise of investment and brokerage discretion on behalf of Verdis Accounts and will raise issues or concerns with the Manager as part of the ongoing diligence and review process.

In selecting and dealing in Vehicles, Verdis seeks to negotiate, where practicable, the fees paid by Verdis Clients. As a general matter, Vehicles are selected through a private process for which only a single avenue for execution is available (*e.g.*, subscription to a pooled fund or execution of an advisory contract) rather than through the markets and no commission is typically paid by Verdis for the purchase or sale of a Vehicle. In those cases, Verdis may be limited in its ability to negotiate costs or terms but will seek, as practicable, to negotiate the most favorable terms reasonably available under the circumstances and to minimize costs associated with such transactions, consistent with achieving the desired investment objective and assuring an acceptable quality of execution. Verdis may, from

time to time, be introduced to a Vehicle through a prime broker, solicitor, consultant or placement agent.

With respect to those portions of an Account not committed to a Vehicle, Verdis may have discretion to determine, on a day-to-day basis, the securities bought, sold or held for the Account as well as the brokers, dealers or other trading venues through which transactions in such securities will be executed. Such decisions are made by Verdis' portfolio managers, with assistance from other relevant personnel. In placing such transactions, Verdis seeks to (i) determine each Client's trading requirements, (ii) select appropriate trading methods, venues and agents to execute the trades under the circumstances, (iii) evaluate market liquidity of each security and take appropriate steps to mitigate excessive market impact, to the extent practicable, (iv) maintain Client confidentiality and proprietary information inherent in the decision to trade, and (v) periodically review the results of executions. Verdis does not expect to exercise such authority as each Verdis Fund's Account is expected to be fully invested in Vehicles or cash (except, among other things, certain currency transactions and other transactions, principally for VOGÉ Accounts, as to which Verdis retains discretionary authority).

In considering currency transactions and, when applicable, other direct investments, appropriate members of Verdis' team will meet periodically (as necessary based upon the type of security and/or frequency of trades) to review Verdis' best execution efforts, considering the quality of executions received and the costs of such executions (*e.g.*, spreads, mark-ups/mark-downs, commissions and commission equivalents), in order to determine what changes, if any, should be made in its brokerage arrangements. Managers of Vehicles are subject to, and required to conduct their trading activities in accordance with, the Manager's own best execution processes. Verdis considers the Manager's best execution practices as part of the initial due diligence and ongoing monitoring of the Manager. Verdis' goal in this process is to assure, to the extent practicable, that Verdis and each Manager exercises reasonable, good faith judgment to select broker-dealers or other trading venues that will consistently provide quality execution at an acceptable cost.

The following summarizes Verdis' policies with respect to its exercise of investment and brokerage discretion on behalf of Client Accounts and provides general insight into how Verdis expects that Managers of Vehicles exercise such discretion.

#### *Selection Criteria for Brokers and Dealers*

While Verdis may have authority to engage in direct management, currently it exercises such authority principally with respect to currency transactions (and less frequently to invest in ETFs or other securities) in connection with VOGÉ Accounts, while Vehicles may invest in a wide variety of securities. Different types of securities are traded in a variety of markets and are subject to a variety of considerations and conventions. Additionally, different Managers (and Verdis) may utilize a variety of investment or trading strategies having differing trading requirements. The type of security, market and strategy will affect the criteria Verdis or a Manager considers when determining how to effectuate transactions. For example, fixed income securities are often traded in dealer markets. When buying or selling securities in dealer markets, Verdis or a Manager may, subject to best execution, deal directly with market makers either on a commission basis or on a "net" basis, without paying the market maker any commission, commission

equivalent or markup/markdown other than the “spread.” Net trades mean that the market maker profits from the “spread,” *i.e.*, the difference between the price paid (or received) by the Account and that received (or paid) by the market maker in trades with others.

To the extent Verdis has discretionary authority, it will generally place orders for the purchase or sale of securities with the primary objective of obtaining prompt execution of orders at the most favorable price and execution readily obtainable from responsible broker-dealers at competitive commission rates (or spreads) and expects that Managers will seek to do the same. Verdis insists on (and expects that Manager’s will seek) a high standard of quality regarding execution services. However, Verdis recognizes that a broker-dealer may have different execution capabilities with respect to different types of securities and transactions and that some brokerage firms are better at executing some types of orders than others. Verdis or a Manager may also place value on brokers and dealers who are able to provide useful brokerage and, as appropriate, research assistance. As a result, Verdis (or a Manager) may select brokers, dealers or other trading venues – and pay commissions or equivalents – that vary based on the nature of the transaction and services provided.

Verdis does not enter into agreements with, or make commitments to, any broker-dealer that would bind Verdis to compensate that broker-dealer, directly or indirectly, for Client referrals through placement of brokerage transactions. However, the fact that a broker or dealer has made such referrals does not disqualify the broker-dealer from executing trades on behalf of an account. Generally, Verdis or a Manager may exercise its discretion to execute transactions with broker-dealers that also refer Clients: (i) when the use of such broker-dealer is consistent with the duty to seek best execution and following procedures reasonably designed to ensure that such referrals are not a factor in the decision to execute a trade, or a particular amount of trades, through such broker-dealer; or (ii) except with respect to accounts subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), when one or more broker-dealers is believed capable of providing equivalent quality of execution with respect to a particular portfolio transaction, in recognition of the broker-dealer’s past referral of the Client for whom the transaction is being executed, or of other Clients, or in anticipation of possible future referrals from the broker-dealer. In either case, unless otherwise specifically disclosed, Verdis seeks to assure that a Client does not pay higher commissions, concessions or mark-ups/downs than would otherwise be obtainable from broker-dealers able to offer comparable levels of quality and research or execution services but that do not provide Client referrals.

#### *Commission Rates or Equivalents Policy*

Verdis recognizes that each Account bears the costs and reaps the benefits of brokerage decisions made with respect to the Account and, therefore, “brokerage” is treated as the property of the Client. Verdis believes that the overriding consideration in allocating Client orders for execution should be to seek to execute transactions efficiently to maximize gains (or minimize losses) through a combination of controlling transaction and securities costs and seeking more effective uses of a broker’s capabilities.

It should be noted that Accounts will not necessarily pay the lowest commission or commission equivalent for any particular transaction. Transactions involving specialized services on the part of a broker-dealer often require the payment of higher commissions (or

commission equivalents) than would be the case with transactions requiring more routine services. While the extent to which commission rates or net prices reflect the value of a broker-dealer's services and capabilities often cannot be readily determined with specificity, Verdis believes that commission rates are reasonable when commensurate with the value Verdis or a Manager places on the broker's ability to provide professional services, competitive commission rates, research, and other services which will assist Verdis or the relevant Manager in providing services to Client Accounts or, as applicable, Vehicles (based either on the particular transaction or the course of dealings with the broker over time). Transactions may, therefore, be executed through broker-dealers who provide useful research and securities transaction services even though a lower commission might be charged by a broker-dealer who offers no research services and minimal securities transaction assistance.

#### *Block Transaction Policy*

Because the sizes, mandates and guidelines of Client Accounts often differ, the securities held in such Accounts may not be identical, even when managed in the same strategy. In appropriate circumstances, an Account may purchase or sell a security (including an interest in a Vehicle) prior to other Accounts. This could occur, for example, as a result of the specific investment objectives or restrictions applicable to the Account, different cash resources arising from contributions or withdrawals, or the purchase of a small position to assess the overall investment desirability of a security or Vehicle. However, Accounts that are managed in similar styles often have similar or identical portfolio compositions and weightings, and may seek to purchase or sell securities contemporaneously. Under applicable law, advisers may, but are not required to, aggregate contemporaneous orders for the purchase or sale of a particular security into a single combined order (a "Block Transaction"). Where available, Block Transactions may allow an adviser to negotiate more favorable prices, obtain more timely or equitable executions or reduce overall commission charges. The following summarizes Verdis' policies with respect to Block Transactions and provides general considerations with respect to a Manager's potential use of Block Transactions:

A Manager or Verdis (to the extent consistent with the IMA or Governing Documents applicable to each participating Account or Vehicle) may engage in Block Transactions. Verdis seeks to allocate investment and trading opportunities in a manner that is consistent with its duty to: (i) seek best execution; (ii) treat all Accounts fairly and equitably over time; and (iii) not systematically advantage or disadvantage any single Client or group of Clients. When a decision is made to enter into a Block Transaction, the results of the transactions will be allocated to all participating Accounts in a fair and equitable manner. Verdis expects that Managers who use Block Transactions will follow similar policies and procedures.

When a Block Transaction results in all component orders being filled in their entirety on a single business day, each participating Account will participate at the average price paid or received, per share or unit, on that day for the Block Transaction (and will pay associated transaction costs based on that Account's level of participation in the Block Transaction), subject to certain size or cost-related exceptions. When a Block Transaction cannot be filled in its entirety on a single business day (a "partial fill"), Verdis will allocate the portion of the Block Transaction actually filled on that business day pro rata among the

participating Accounts based on the size of each Account's original request, subject to any necessary adjustments in order to achieve "round lots" or to avoid inconvenient or *minimal* allocations. However, Verdis or a Manager may allocate on a basis other than *pro rata* if, under the circumstances, Verdis or that Manager believes that such other method of allocation is reasonable, does not result in improper or undisclosed advantage or disadvantage to other Accounts, and results in fair access over time to investment and trading opportunities for all eligible Accounts.

Except when inconsistent with relevant Codes of Ethics, other applicable policies and procedures or the duty to seek best execution, Verdis or a Manager may include proprietary or personal accounts in a Block Transaction.

#### *Cross-Trades*

Verdis or a Manager may, but shall not be obligated to, cause one Account to purchase or sell securities from or to, as the case may be, another Account in a "cross-trade" consistent with relevant cross-trading policies and procedures and applicable law. In certain circumstances, cross-trades may reduce execution related costs for participating Accounts. Participating Accounts must be treated fairly and an appropriate price must be assigned to the crossed security. ERISA Accounts may be limited in their ability to engage in cross-trades.

Verdis does not currently engage in any agency cross trades. To the extent a Manager engages in agency-cross trades (*i.e.*, a cross trade in which the Manager or an affiliate receives transaction-based compensation such as a commission), appropriate notice must be provided to Verdis (or the Client, as applicable) and consent obtained consistent with applicable law.

A form of cross trade may also be used when deemed necessary by Verdis to allow an Account to take advantage of certain attractive investment opportunities. In these circumstances, Verdis may cause one Account to acquire and hold a limited number of investments, with the intent that such investments be transferred to another Account following a short-term holding period through a cross trade. This practice is sometimes described as "warehousing". Because it is intended that the target Account ultimately bear the risk of such investments and the warehouse Account be fairly compensated for expending the initial capital necessary to make that investment, such investments will generally be transferred from the warehouse Account to the target Account at the price originally paid (including any expenses associated with the investment) plus interest at a pre-determined rate. Managers may also use warehousing with respect to certain Vehicles.

#### *Allocation of "New Issues"*

Currently, Verdis does not typically invest Accounts in "*new issues*", as defined in relevant rules established by the Financial Industry Regulatory Authority ("*FINRA*") (formerly the National Association of Securities Dealers or "*NASD*"). However, Vehicles may, from time to time invest in initial public offerings ("*IPOs*") or other new issues. Under FINRA Rule 5130 (formerly, NASD Rule 2790) and FINRA Rule 5131, broker-dealers, their affiliates and certain other persons ("*restricted persons*" or "*covered persons*," respectively) may be restricted in their ability to participate in "new issues." Only Client Accounts that are eligible under FINRA Rule 5130 and FINRA Rule 5131 to participate in profits and

losses attributable to “new issues” (“Eligible Accounts”) will be permitted to receive allocations of “new issues”.

Private funds may need to take additional measures to ensure compliance with FINRA Rule 5130 and FINRA Rule 5131 which may include, for example, prohibiting or limiting investment by restricted or covered persons or by creating multiple class structures pursuant to which a certain class (or classes) of shares may be issued only to restricted or covered persons while other classes of shares will exclude restricted and covered persons. Consequently, in order to allow Verdis (or a Manager) to invest in new issues, Clients (or Investors) must provide information regarding their restricted and covered person status and Verdis Funds that anticipate investing in Vehicles that may hold new issues have established separate share classes for this purpose.

#### **Services Provided by Custodians to Verdis Funds or Private Fund Vehicles**

Although Verdis does not currently employ prime brokers for the Verdis Funds (as prime broker services are generally less relevant to fund of funds offerings), Verdis may select one or more firms to serve as custodian (“Custodian”) to hold the funds and securities of a Verdis Fund (and, similarly, Managers will often select Custodians for Vehicles). In the case of underlying Vehicles, the Manager’s chosen Custodian may also serve as the prime broker and may execute transactions on behalf of the Vehicle, consistent with best execution. In addition to custody and execution, a prime broker may provide other core functions (such as reporting, clearing, financing, securities lending, and Client service) as well as value added items (such as capital introductions, advanced research and analytics and technology services) to such Vehicles, some of which may be outside the Soft Dollar Safe Harbor, described above. These services may allow a Vehicle to operate more effectively and efficiently by, for example, providing the Manager with electronic access to information and trade confirmations, bulk mailing of statements to investors and access to specialized customer service personnel. Prime brokers often provide such services in order to benefit from an increase in the size of a Vehicle (which, in turn, would likely result in additional compensation to the prime broker). Verdis expects that many Managers will consider these factors in selecting prime brokers and/or Custodians.

Verdis reserves the right, in its sole discretion, to change the brokerage arrangements described herein without further notice to Investors in any Verdis Fund. However, Verdis will, to the extent required by the Custody Rule, provide appropriate notice upon opening an account and upon changes to the custodial arrangements.

### **ITEM 17: VOTING CLIENT SECURITIES**

Verdis typically does not have discretion to vote proxies solicited by issuers held indirectly through a Vehicle (as a general matter, Managers have authority to vote proxies with respect to securities held by or in a Vehicle). In the unusual circumstance where a proxy (or consent) were to be solicited by a Vehicle, Verdis abstains from voting, unless Verdis believes there is a conflict between Verdis' interests and those of the Investors, in which case it would take other appropriate steps to address the conflict.

Should a Client have additional questions, they may contact Kevin Gaffey, Verdis' Partner, Chief Financial Officer & Chief Compliance Officer at [kgaffey@verdisinvestment.com](mailto:kgaffey@verdisinvestment.com) or 610-397-1600.



**ITEM 18: FINANCIAL INFORMATION**

Not applicable.