

# **SECOR Investment Management, LP**

## **Part 2A of Form ADV**

### **The Brochure**

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This brochure provides information about the qualifications and business practices of SECOR Investment Management, LP (“SIM”). If you have any questions about the contents of this brochure, please contact us at 212-980-7350. 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.

SIM is an SEC-registered investment adviser. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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

## **Item 2: Material Changes**

SIM has made the following material change since its last annual update to Form ADV Part 2A dated March 30, 2022:

- Tony Kao is the sole managing member of SECOR Partners, LLC. (Item 10.C)
- S. Pinar Ilgar, Chief Financial Officer, resigned effective January 20, 2023.

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## Item 4: Advisory Business

### A. General Description of Advisory Firm

SECOR Investment Management, LP (“SIM”) was established in August, 2011 and has an office in New York, New York. SIM is a wholly owned subsidiary of SECOR Asset Management, LP. Duen Li (Tony) Kao holds a majority stake in SECOR Asset Management, LP and is deemed to be the principal owner. Refer to Item 10 for a further description of SECOR Asset Management, LP and SIM's industry affiliations.

### B. Description of Advisory Services

SIM manages assets on a discretionary basis, generally, but also advises certain clients on a non-discretionary basis. SIM provides its investment management services to institutional clients and certain other clients that are described in Item 7. SIM works closely with its clients to develop specified investment guidelines for each assignment. The investment guidelines for an assignment set forth the parameters of SIM's investment authority with respect to such assignment. SIM may provide the following services:

- **Tail Risk Hedging Solutions** - SIM may seek to manage the risk associated with periods of significant negative returns in risky assets. Typically, this may be achieved through a wide variety of financial derivative strategies through an overlay program;
- **Liability Management Solutions** - SIM may seek to manage the risk posed by liabilities associated with large defined benefit plans. Typically, this may be achieved with an overlay portfolio of futures, swaps or swaptions, allowing the clients to maintain exposure to return-seeking assets; and/or
- **Beta Currency Management Solutions** - SIM may provide beta currency management services to manage clients' asset exposure. Typically, this may be achieved with an overlay portfolio of options, futures, forwards, or swaps allowing the clients to more effectively manage portfolio beta currency exposures.

SIM provides discretionary investment management services to one UCITS fund regulated under the laws of the Central Bank of Ireland. SIM also provides discretionary sub-advisory services to a pooled investment vehicle offered only to certain affiliated non-U.S. pension plans that are existing clients of SECOR. The sub-advised pooled investment vehicle is a “fund of funds” that invests in underlying hedge funds.

The foregoing is not a comprehensive list of services that may be provided by SIM; nor are the descriptions necessarily the only ways in which the services may be provided. For each service provided by SIM, the clients' assets will be managed in a manner consistent with clients' specified investment guidelines.

### **C. Availability of Customized Solutions for Individual Clients**

Generally, SIM assists clients in developing investment guidelines tailored to each client's specific needs. The guidelines generally specify limits on the type and amount of securities held. The client may specify limits at various exposure levels including, but not limited to, counterparty concentration, equity exposure, and duration/interest rates. SIM will accept other restrictions if it believes that it can implement a client's investment program in compliance with the client's objectives.

### **D. Wrap Fee Programs**

While SIM has the ability to do so, as of the date of this Brochure, SIM is not participating in any wrap fee programs.

### **E. Assets Under Management**

As of December 31, 2022, SIM has \$2,997,240,425 in discretionary regulatory assets under management and \$66,119,775 in non-discretionary assets under management

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

### **A. Advisory Fees and Compensation**

SIM provides advisory services to clients that are “qualified purchasers” under Section 2(a)(51) of the Investment Company Act of 1940. Fees for SIM’s services are typically charged as a percentage of plan assets, a percentage of notional exposure, or as a flat fee. Our practices vary depending upon the specific arrangement with the client.

### **B. Payment of Fees**

SIM does not currently deduct fees from managed accounts; nor does it have the authority to do so. In the case of a managed account, the applicable client or its designee must direct fee payment. However, this practice may vary depending upon the specific arrangement with the client.

For clients that are funds, the custodians are responsible for the management fee calculations. SIM reviews the applicable calculation, and approves payment of the management fee, and then requests payment to be made (no invoice is issued). Any reimbursements to SIM are requested via invoice.

### **C. Additional Fees and Expenses**

In addition to SIM’s fees, a client may incur fees payable to other service providers for such services as the following: custody, transaction settlement, pricing, recordkeeping, and audit. The client makes its own arrangements and negotiates the terms of these service arrangements.

For transactions that are executed by SIM, the client will incur brokerage and other transaction-related costs, which are included in the net settlement costs/proceeds of the trade. Please see Item 12 for a description of SIM’s brokerage practices.

In the case of managed account clients, the client’s guidelines may permit, and SIM may choose, to purchase funds and/or securities that incur third party management fees in addition to SIM’s fees. As a result, the managed account client may incur more than one level of management fees on the assets that are invested in such funds and/or securities. In the case of fund clients, third party management fees range from zero to 2.25%, and third-party incentive fees, where applicable, range from 12.5% to 35% (sometimes subject to hurdle). As a result, the fund client may incur more than one level of management fees and may incur incentive fees.

### **D. Prepayment of Fees**

Not applicable.

### **E. Additional Compensation and Conflicts of Interest**

We do not accept, and none of our supervised persons accepts, compensation for

the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

Performance-based fees are fees based on an increase in value of the assets of a client. An adviser charging performance fees to only some accounts faces a variety of conflicts because the adviser can potentially receive greater fees from its accounts having a performance-based compensation structure than from those accounts it charges a fee not directly derived from performance (e.g., an asset-based fee). As a result, the adviser may have an incentive to direct the best investment ideas to, or to allocate or sequence trades in favor of, the account that pays a performance fee.

SIM typically does not charge performance-based fees to clients and, therefore, is not generally subject to the potential conflicts of interest that such arrangements create. However, in the case of one fund-of funds client, the client incurs incentive fees at the underlying fund level (i.e., paid to the managers of the underlying funds).



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

SIM provides investment advice only to institutional clients. Our clients generally consist of corporate pension plans and charitable organizations. Actual and potential clients may include, without limitation:

- Insurance companies;
- Corporate pension plans;
- Endowments, foundations and other charitable organizations;
- Family offices;
- Pooled investment vehicles; and
- State or municipal government entities.

SIM does not have any general requirements for opening or maintaining accounts, such as minimum account size. The requirements for each managed account are negotiated on a case-by-case basis.

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

### **A. Methods of Analysis and Investment Strategies**

In general, SIM utilizes a multitude of market data, economic analyses, proprietary models and analytic systems in designing and implementing the types of strategies set forth in Item 4.

With respect to Tail Risk Hedging Solutions, SIM would analyze the composition of the assets to be hedged, and then design an overlay portfolio to modify the expected risk and return profile of the portfolio. In general, the Tail Risk Hedging Solutions seek to dampen the volatility associated with equity investments. This overlay portfolio may involve long and short positions. SIM would perform additional analyses with respect to security and instrument selection as part of this process.

With respect to Liability Management Solutions, SIM would analyze the risk and return profile of the liabilities associated with large defined benefit plans, and then design an overlay portfolio to modify the interest rate exposure of the portfolio. This overlay portfolio may involve long and short positions. SIM would perform additional analyses with respect to security and instrument selection as part of this process.

With respect to Beta Currency Management Solutions, SIM would analyze the client's current asset allocation and design an overlay portfolio to modify the expected risk and return profile of the asset portfolio to achieve the desired risk and return profile of the client. This overlay portfolio may involve long and short positions. SIM would perform additional analyses with respect to security and instrument selection as part of this process. In addition, SIM may have non-discretionary trading relationships with institutional clients where SIM is instructed to execute derivative transactions on a directed basis.

The foregoing is not a comprehensive list of the methods of analysis and strategies that may be employed by SIM, nor are the descriptions necessarily the only ways in which the methods of analysis and strategies may be implemented.

Investing in securities and other instruments involves risk of loss that clients should be prepared to bear. Past performance is not indicative of future results.

### **B. Material, Significant or Unusual Risks Relating to Investment Strategies**

Portfolio management risk is often measured by tracking error (the standard deviation of the difference between a portfolio's return and the benchmark return) to a defined benchmark. SIM will work closely with clients to design a solution portfolio, a benchmark for that portfolio, and guidelines for the management of the portfolio. In this process, the client will dictate, via the guidelines, any restrictions on SIM's management of the portfolio, including but not limited to the types of

securities allowed within the portfolio, measured deviations from the benchmark, trading counterparties and similar restrictions.

All investments made or recommended by us for clients involve the risk of the loss of capital. Our clients' accounts may utilize investment techniques such as margin transactions, short sales, option transactions and forward and futures contracts, which can, in certain circumstances, magnify both the gains and losses to which our clients' accounts may be subject.

Prospective clients should give careful consideration to the risk factors detailed below in evaluating the merits and suitability of the investment strategies implemented by SIM. The following is not a comprehensive summary of all the risks associated with such investment strategies. Rather, the following are only certain risks which SIM wishes to encourage prospective investors to consider and discuss in detail with their professional advisors.

#### Reliance on Key Persons

SIM is dependent on the services of certain of its key personnel, and the loss of the services of one or more of these professionals could materially impair our ability to provide services to our clients.

#### Counterparty Risk

Counterparty risk is the risk that the other party(ies) to an agreement or a participant in a transaction, such as a broker-dealer or other swap counterparty, might default on a contract or fail to perform by failing to pay amounts due or failing to fulfill the delivery conditions of the contract or transaction. Counterparty risk is inherent in many transactions, including, but not limited to, transactions involving derivatives, repurchase agreements, securities lending, short sales, credit and liquidity enhancements and equity or commodity-linked notes.

#### Model Risk/Information Risk

SIM uses proprietary models developed by our personnel and models supplied by third parties. SIM also uses information and data supplied by third parties. Such models and data may be used to assist in hedging our clients' investments activities, to construct sets of transactions and investments, to value investments or potential investments, to provide risk management insights and to perform other critical functions. In the event that any models or data are incorrect, misleading or incomplete, any determinations made in reliance on them creates potential risks. For example, faulty models and data may cause hedging to be unsuccessful.

SIM's models depend upon correct market data information. Incorrect market data will result in incorrect valuations. Even if market data is input correctly, model prices will often differ substantially from market prices, especially for complex securities such as derivative securities.

## Operational Risks

SIM uses computer programs and systems to evaluate certain financial instruments, to trade, clear and settle transactions, to monitor portfolio positions and net capital, to generate risk management and other reports that are critical to oversight of trading activities and to perform other critical functions. Certain operations will be dependent upon systems operated by third parties. SIM may not be in a position to verify the risks, limitations or reliability of such third-party systems. A failure of a system or the inability of a system to function adequately could have a material adverse effect on client accounts.

## **C. Risks Associated with Particular Types of Securities**

The securities typically used in SIM strategies, including but not limited to the following, can entail certain risks, including the following:

### Fixed Income Securities

The value of fixed income securities will change in response to fluctuations in interest rates, response to perceptions of credit worthiness, political stability or soundness of economic policies, and changes in the economic environment that may affect future cash flows. The values of fixed income securities also change in response to the fortunes of individual companies. In general, when interest rates rise, prices of fixed income securities fall. Expectations of higher inflation usually cause interest rates to rise. Longer duration securities are more sensitive to this risk. Fixed income securities are also subject to credit risk and the risk of default. A portfolio could lose money if the issuer or guarantor of a fixed income security or other issuer of credit support is unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. All fixed income securities are subject to credit risk. Fixed income securities may experience credit rating downgrades or default.

### Non-U.S. Securities

Non-U.S. securities markets may be less liquid and have fewer transactions than U.S. securities markets. Also, international markets may experience delays and disruptions in securities settlement procedures. Investments in foreign countries could be affected by potential difficulties in enforcing contractual obligations and could be subject to extended settlement periods or restrictions affecting the prompt return of capital to the U.S. In addition, non-U.S. markets, economies and political systems may be less stable than U.S. markets, and changes in exchange rates of foreign currencies can affect the value of a portfolio's foreign assets. Non-U.S. laws and accounting standards in some cases may not be as comprehensive as they are in the U.S. and there may be less public information available about foreign companies.

### Derivatives (Options. Futures. Forwards and Swaps)

Derivatives are financial contracts which seek to modify or emulate the investment performance of particular securities, commodities, interest rates, indices or markets, or specific risks thereof, on a levered or unlevered basis. Their value depends on, or is derived from, the value of the underlying asset, reference rate or index. Derivatives are typically used as a substitute for taking a position in the underlying asset and/or as part of a strategy designed to reduce exposure to other risks, such as currency risk. Derivatives may also be used for leverage, to facilitate the implementation of an investment strategy or to take a net short position with respect to certain issuers, sectors or markets. A portfolio may also use derivatives to pursue a strategy to be fully invested.

The use of derivative instruments involves risks possibly greater than those associated with other investments. The prices of all derivative instruments, including futures and options, are highly volatile. Payments made pursuant to swap agreements may also be highly volatile. Derivatives may have very high leverage embedded in them which can substantially magnify market movements and result in losses greater than the amount of the investment. The loss that could possibly result from investing in derivatives is potentially unlimited. There also is no assurance that a liquid secondary market will exist for futures contracts and options in which a portfolio may invest. Appropriate derivative transactions may not be available in all circumstances and there can be no assurance that a portfolio will engage in derivatives transactions to reduce exposure to other risks when that would be beneficial.

Participation in the options or futures markets, as well as the use of various swap instruments and forward contracts, involves investment risks and transaction costs to which a portfolio would not be subject absent the use of these strategies. If a portfolio's predictions of movements in the direction of the securities, currencies, interest rate or commodities markets are inaccurate, the adverse consequences to a portfolio may leave the portfolio in a worse position than if such strategies were not used.

Derivatives are subject to liquidity risk, market risk, credit risk, default risk, counterparty risk and management risk. They also involve the risk of mispricing or improper valuation and the risk that changes in the value of the derivative may not correlate exactly with the change in the value of the underlying asset, rate or index. In addition, a portfolio may be unable to purchase or sell a portfolio holding at a time that otherwise would be favorable for it to do so, or may need to sell the holding at a disadvantageous time, due to the requirement that the portfolio maintain "cover" or collateral securities in connection with use of certain derivatives.

Regulatory requirements to set aside assets to meet obligations with respect to derivatives may also result in a portfolio being unable to purchase or sell securities or instruments when it would otherwise be favorable to do so, or in a portfolio needing to sell holdings at a disadvantageous time. In addition, it may be necessary to defer closing out certain hedged positions to avoid adverse tax consequences.

With respect to futures, the Commodity Futures Trading Commission (the “CFTC”) and the various exchanges have established limits referred to as “speculative position limits” on the maximum net long or net short positions that any person may hold or control in a particular futures contract. Trading limits are imposed on the number of contracts that any person may trade on a particular trading day. An exchange may order the liquidation of positions found to be in violation of these limits and it may impose sanctions or restrictions. It is possible that positions held by a portfolio may have to be liquidated in order to avoid exceeding such limits. Such modification or liquidation, if required, could adversely affect the operations and performance of a portfolio.

Derivatives are subject to the risk of the failure of any of the exchanges on which they trade or of their clearinghouses. OTC transactions, such as swaps, are agreements between a client and counterparty and do not currently trade, settle or clear on an exchange or through a clearinghouse. As such, for OTC transactions, the client is at risk to the counterparty. In order for SIM to execute trades in OTC derivatives, the client must establish certain documents with its counterparty. The client can include certain protections in its counterparty agreements, including collateral agreements. Collateral agreements can mitigate some of the potential counterparty risk. The specifics of the collateral agreement will determine the degree of risk reduction. Collateral agreements specify timeframes and deadlines for requesting collateral. If SIM's business is interrupted, SIM may not be able to request collateral in a timely manner.

The Dodd-Frank Wall Street Reform and Consumer Protection Act requires the SEC and CFTC to develop rules relating to all aspects of trading swaps. Although the rules are not final at this time, SIM anticipates that the documentation, trading and operations processes relating to swaps will change substantially. These changes, or even the uncertainty as to what the changes may require, may affect the market. This market uncertainty may affect liquidity and pricing which may present additional risks to clients.

#### Forward Currency Contracts

A forward currency exchange contract involves an obligation to purchase or sell a specific currency. Forward currency contracts are subject to the risk that should forward prices increase, a loss will be incurred to the extent that the price of the currency agreed to be purchased exceeds the price of the currency agreed to be sold. Some asset managers might engage in forward currency contracts to hedge against uncertainty in the level of future exchange rates or to effect investment transactions consistent with a portfolio's investment objectives and strategies. Forward foreign currency exchange transactions may be conducted on either on a spot (i.e., cash) basis at the rate prevailing in the currency exchange market, or through entering into forward currency exchange contracts to purchase or sell currency at a future date.

#### Leveraged Instruments or Portfolios

The use of leverage, which can be described as exposure to changes in price at a ratio greater than the amount of equity invested, magnifies both the favorable and

unfavorable effects of price movements in a portfolio. Leverage may cause a portfolio to be more volatile than if a portfolio had not been leveraged. Some instruments and derivatives may involve forms of leverage. The use of leverage may cause a portfolio to liquidate portfolio positions when it may not be advantageous to do so to satisfy its obligations or to meet segregation requirements. Leverage may also have the effect of increasing tracking error risk.

### Illiquid Securities

Illiquid securities do not have a readily available market or are subject to resale restrictions. A portfolio with an investment in an illiquid security may not be able to sell the security quickly and at a fair price, which could cause a portfolio to realize losses on the security if the security is sold at a price lower than that at which it had been valued. An illiquid security may also have large price volatility. Derivatives are subject to liquidity risk.

### Commodities

The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates or sectors affecting a particular industry or commodity, such as drought, weather, livestock disease, floods, embargoes, tariffs and international political, economic and regulatory developments. Exposure to the commodities markets may subject a portfolio to greater volatility than investments in traditional securities, particularly if the investments involve leverage. Use of leveraged commodity-linked derivatives creates an opportunity for increased return but, at the same time, creates the possibility for greater loss, including the likelihood of greater volatility of a portfolio's net asset value. There can be no assurance that a portfolio's use of leverage will be successful. Different sectors of commodities may have very different risk characteristics and different levels of volatility. There can also be significant differences in volatility and correlation between different commodity contracts within a sector. Significant differences in volatility and correlation may exist between contracts expiring at different dates. In addition, the purchase of derivative instruments linked to one type of commodity and the sale of another, or the purchase of contracts expiring at one date and the sale of contracts expiring at another may expose a portfolio to additional risk, which could cause a portfolio to underperform other portfolios with similar investment objectives and investment strategies even in a rising market.

### Equity Securities

The value of an investment in a portfolio that holds equity securities may decrease. The value of equity securities fluctuates in response to general market and economic conditions and in response to the fortunes of individual companies. Changes in the financial condition of a company or other issuer, changes in specific market, economic, political, and regulatory conditions that affect a particular type of investment or issuer, and changes in general market, economic, political, and

regulatory conditions can adversely affect the price of equity securities. These developments and changes can affect a single issuer, issuers within a broad market sector, industry or geographic region, or the market in general. The market as a whole can decline for various reasons, including adverse political or economic developments in the U.S. or abroad, changes in investor psychology, or heavy institutional selling. Also, certain events, such as natural disasters, terrorist attacks, war, and other such events, can have a dramatic adverse effect on stock markets.

#### Short Term Investments

Short-term investments in actively managed portfolios are subject to interest rate, credit and other risks. The value of investments will change with market conditions and so will the value of any investments in the portfolio. Investments may decline in value. This decline in value may cause a portfolio to not provide return of principal and/or liquidity to clients.

#### Exchange-Traded Funds

The risks of owning an exchange-traded fund (“ETF”) generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in its share price being more volatile. ETFs can trade at discounts or premiums to the NAV of their underlying investments, which could cause a portfolio to experience an unanticipated loss. As a shareholder of an ETF, a portfolio would bear its pro rata portion of the ETF’s expenses, including advisory fees. These expenses would be in addition to the fees and other expenses that a portfolio bears directly in connection with its own operations.

### **D. General Economic and Market Conditions**

The success of SIM’s activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls, energy prices, commodity prices, national and international political circumstances (including government intervention in financial markets, wars, terrorist acts or security operations), natural disasters and regional, national and global health crises (for example the global outbreak of the coronavirus disease 2019 (COVID-19) in 2020). These factors may affect the level and volatility of securities prices and the liquidity of investments. SIM may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

Conflict in Ukraine - Russia launched a large-scale invasion of Ukraine in February 2022. 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.

#### **E. Cybersecurity Risk**

SIM and its service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage or interruption from computer viruses, network failures, computer and telecommunications failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. A cybersecurity breach could expose SIM to substantial costs (including, without limitation, those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, the dissemination of confidential and proprietary information and reputational damage), civil liability as well as regulatory inquiry and/or action. While SIM has established a business continuity plan in the event of, and risk management strategies, systems, policies and procedures to seek to prevent, cybersecurity breaches, there are inherent limitations in such plans, strategies, systems, policies and procedures including the possibility that certain risks have not been identified.

#### **F. Financial Institution Risk; Distress Events**

An investment is subject to the risk that one of the banks, brokers, hedging counterparties, lenders or other custodians of some or all of the assets of a client or manager (each, a “Financial Institution”) fails to perform its obligations or experiences insolvency, closure, receivership or other financial distress or difficulty, similar to that experienced by Silicon Valley Bank and Signature Bank in March 2023 (each, a “Distress Event”). Distress Events can be caused by factors such as eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance or accounting irregularities. In the event a Financial Institution experiences a Distress Event, SECOR, its clients, certain managers, and/or underlying portfolio companies may not be able to access deposits, borrowing facilities or other services for an extended period of time or ever. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation (“FDIC”), in the case of banks, or the Securities Investor Protection Corporation (“SIPC”), in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose increased risk of loss. Although in recent years governmental intervention has resulted in additional protections for depositors, there can be no assurance that governmental

intervention will be successful or avoid the risk of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event may have a potentially adverse effect on the ability of SECOR to manage client investments, the ability of a manager to manage client investments, and on the ability of SECOR, any client, any manager, and/or underlying portfolio companies to maintain operations, which in each case could result in significant losses and unconsummated investment acquisitions and dispositions. Such losses have the potential to require a client or manager to pay fees and expenses in the event the client or manager is not able to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event, the inability of investors to make capital contributions or otherwise). Additionally, the aforementioned losses may result in the inability of a client or manager to acquire or dispose of investments at prices that the relevant party believes reflect the fair value of such investments and/or the inability of portfolio companies to make payroll, fulfill obligations and maintain operations. Although SECOR expects to exercise, and expects managers to exercise, contractual remedies under any agreements with Financial Institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses or delays.

Many Financial Institutions require, as a condition to using their services or otherwise, that SECOR, the relevant client and/or the relevant manager maintain all or a set amount or percentage of their respective accounts or assets with the Custodian, which heightens the risks associated with a Distress Event with respect to such Custodians. Although SECOR, its clients and managers may seek to do business with Custodians that the relevant party believes are creditworthy and capable of fulfilling their respective obligations, SECOR, its clients and managers are under no obligation to use a minimum number of Custodians, or to maintain account balances at or below the relevant insured amounts.

## **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of SIM's advisory business or the integrity of SIM's management.

## Item 10: Other Financial Industry Activities and Affiliations

### A. Broker-Dealer Registration Status

Not applicable.

### B. Futures Commission Merchant Commodity Pool Operator or Commodity Trading Adviser Registration Status

SIM registered as a Commodity Trading Adviser in January 2013 and as a Commodity Pool Operator in April 2017.

### C. Material Relationships or Arrangements with Industry Participants

SIM is one of two U.S. investment advisory firms that are wholly owned by SECOR Asset Management, LP (“**SAM**”) and registered with the SEC. The other firm is SECOR Investment Advisors, LP (“**SIA**”). SIA provides non-discretionary and discretionary advice concerning the structuring of investment portfolios to institutions and non-discretionary investment advisory services to a pooled investment vehicle that is a “fund of funds” formed as an investment vehicle for certain affiliated pension plan clients. SECOR Investment Advisors (UK), LLP (“**SIA UK**”), which is indirectly owned by SAM, is a limited liability partnership formed in the United Kingdom that is authorized and regulated by the United Kingdom Financial Conduct Authority (FCA) and registered with the SEC as a relying adviser under umbrella registration with SIA. SAM owns SECOR Partners (UK), Ltd., the controlling parent entity of SIA (UK). SECOR Partners, LLC is the governing entity of SAM. Its sole managing member is Tony Kao.

MassMutual’s Babson Capital Management, LLC (“**Babson**”) purchased a minority, passive non-controlling interest in SAM in September 2011. Babson acquired less than 10% of SAM. In September 2016, Babson completed the integration of four Massachusetts Mutual Life Insurance Company (MassMutual) institutional affiliates (previously announced on March 9, 2016). Babson and its subsidiaries Cornerstone Real Estate Advisers LLC, Wood Creek Capital Management, LLC, and Baring Asset Management Limited are now operating as a unified company under the Barings name. SIM does not believe that Barings’ ownership interest creates any material conflict of interest with clients.

SAM and its affiliates are collectively referred to herein as the “**SECOR Management Group**”. Entities within the SECOR Management Group share certain personnel and other resources.

The interrelationships among the above entities present potential conflicts of interest, including but not limited to the following:

- Resource Allocation: SECOR Management Group personnel may have conflicts in allocating their time and services among their clients. Such personnel will devote as much

time to each client as is appropriate for the SECOR Management Group to perform its duties in accordance with its client agreements;

- Trade Allocation: SECOR Management Group may face conflicts in allocating limited investment opportunities among clients with similar investment objectives or hedging requirements. While SECOR Management Group will attempt to allocate such limited investment opportunities on a fair and equitable basis, there is no guarantee that every client will participate in such opportunities as fully as every other client;
- Potential Impact of Trading: The purchase or sale of a security or investment position with limited liquidity in one client account may temporarily inflate or depress the market price of the security or investment instrument, thereby having an adverse impact upon the value of any account holding that position and/or the ability of such account to liquidate its position;
- Potential Impact of Liquidations: The liquidation of a security or investment position with limited liquidity in one client's account may temporarily depress the market price of that security or investment instrument, thereby having an adverse impact upon the value of any account holding that position and/or the ability of such account to liquidate its position; and
- Potential Impact of Aggregation: The positions of clients of the SECOR Management Group may be aggregated for purposes of position limits, reporting requirements and other regulatory requirements and prohibitions. As a result, some clients may not be able to hold as large a position in a particular security as they would be able to hold if their position were not aggregated with those of other clients.

#### **D. Material Conflicts of Interest Relating to Other Investment Advisers**

When appropriate for a particular client, SIA and SIA UK may recommend that a client utilize services provided by their affiliate SIM. Prior to recommending SIM to a particular client, SIA and SIA UK always inform the client of their relationship with SIM and give the client the opportunity to ask questions and receive answers in this regard. SIA and SIA UK do not represent recommendations of SIM to their clients as being “independent”.

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

### **A. Code of Ethics**

SIM recognizes and believes that (i) high ethical standards are essential for its success and to maintain the confidence of its clients; (ii) its long-term business interests are best served by adherence to the principle that the interests of clients come first; and (iii) it has a fiduciary duty to its clients to act for their benefit. All SIM personnel must put the interests of its clients before their own personal interests and must act honestly and fairly in all respects in dealings with clients. All SIM personnel must also comply with all federal securities laws.

SIM has adopted a Code of Ethics governing personal trading by its personnel. Among other requirements, all personnel must seek pre-approval from the Chief Compliance Officer (“CCO”) for certain personal trades, must report their personal securities transactions and holdings to the CCO, and must report to the CCO when they believe that a violation of the Code of Ethics has occurred. Clients or prospective clients may review the Code of Ethics by contacting SIM’s Chief Compliance Officer via phone at 212-980-7350. Inquiries can also be sent via email to [cco@secor-am.com](mailto:cco@secor-am.com).

### **Gifts and Entertainment**

SIM has considered the risk that employees might be improperly influenced by excessive gifts or entertainment. SIM has also considered the risk that employees might try to use gifts or entertainment to exert improper influence on another individual or entity. SIM has established a policy to mitigate such risks by establishing limits and reporting obligations relating to gifts and entertainment.

### **Political and Charitable Contributions**

Political contributions by SIM or SIM’s supervised persons to politically connected individuals or entities with the intention of influencing such individuals or entities for business purposes are strictly prohibited.

SIM prohibits its supervised persons, as well as any affiliated entity, from making political contributions to any state or local government entity, official, candidate, political party, or political action committee, unless pre-cleared through the CCO.

### **B. Securities in Which SIM or a Related Person has a Material Financial Interest**

Not applicable.

**C. Investing in Securities That SIM or a Related Person Recommends to Clients**

SIM requires that its personnel obtain pre-approval prior to engaging in any transaction in a “reportable security” within the meaning of SEC Rule 204A-1 (with certain limited exceptions).

**D. Conflicts of Interest Created by Contemporaneous Trading**

Our personal trading policy allows employees to purchase or sell similar securities to those purchased and sold for our investment products, subject to our approval process. In general, we expect that our pre-approval process will reduce the risk of contemporaneous trading. In addition, we have a centralized trading desk that handles trading for client accounts, so the ability of non-trading desk personnel to effect a contemporaneous trade is reduced.

## Item 12: Brokerage Practices

### A. Factors Considered in Selecting or Recommending Broker-Dealers

#### a. *Research and Other Soft Dollar Benefits*

SIM does not engage in so-called “soft dollar” agreements with broker-dealers to pay for research-related expenses. However, (1) we do intend to cause or allow our clients to take advantage of certain services offered directly to them by brokers and dealers (e.g., exchange connectivity and certain execution applications), which we will review under an overall “best execution” analysis and (2) we do receive periodic client updates, “market color” reports, seminar invitations and similar services from service providers (including prime brokers, counterparties, law firms and auditors) by virtue of being a client or prospective client of such providers (and/or by virtue of being an advisor to a client or prospective client of such providers).

In the ordinary course of managing accounts for clients, the primary consideration in SIM’s selection of broker-dealers is “best execution”. SIM’s traders are required to seek to achieve the best combination of price and execution for its clients considering all relevant circumstances. Certain Factors Potentially Affecting “Best Execution” Determinations include, but are not limited to:

- Favorable commissions;
- Broker-dealer’s speed of execution and/or responsiveness;
- Broker-dealer’s capacity (liquidity) - the ability and timing of the broker-dealer to fulfill the entire order;
- Broker-dealer’s integrity in controlling information leakage;
- Broker-dealer’s expertise in the security, its pricing and market dynamics;
- Broker-dealer’s past, current and future ability and willingness to make competitive markets in the security;
- Broker-dealer’s technological functionality - algorithmic sophistication, direct market access, etc. Broker-dealer’s back office proficiency - accuracy of confirmations, clearing, settlement of the transaction and overall quality of post-execution service;
- Transaction characteristics - the size, type and complexity of the transaction itself Instrument characteristics - unique characteristics to the security and its market On-going diversification of counterparty risk;
- Collateral exchange requirements and procedures; and
- Average Daily Volume (Liquidity) - the difficulty in accessing sufficient liquidity as a function of the security's available daily liquidity.

In addition to the on-going and contemporaneous qualitative analysis of broker-dealer execution quality, SIM uses quantitative metrics to help analyze broker-dealer performance (e.g., market impact, historical success rates of winning competitive auctions, aggressiveness of Bid/Ask spreads). SIM monitors broker-dealer performance, commission revenues and counterparty risk on a regular basis.



b. ***Brokerage for Client Referrals.***

SIM does not direct brokerage activity to specific broker-dealers in exchange for client referrals.

c. ***Directed Brokerage.***

As of the date of this brochure SIM does not permit its clients to recommend, request or require us to execute transactions through a specified broker-dealer.

**B. Order Aggregation and Trade Allocation**

We will combine trade orders when aggregation is: 1) consistent with our duty to seek to obtain best execution; 2) consistent with the terms of the investment guidelines and restrictions of each client for which trades are being aggregated; 3) feasible based on the arrangements that exist with exchanges, clearing houses, and other intermediaries in the markets in which we trade; and 4) possible absent a number of various other potential issues, such as but not limited to, instances in which clients do not have trading relationships with certain counterparties, tax or regulatory considerations applicable to clients, and limitations in execution or operational technology that do not make aggregation feasible. If an aggregated order is filled in its entirety, it will generally be allocated among participating client accounts in accordance with the intended pre-trade allocations. If an aggregated order is executed at different clearing prices within a specific execution throughout the trading day, the multiple clearing prices will generally be distributed amongst the applicable participating client accounts pro rata according to the intended pre-trade allocations to ensure the same average execution price across the applicable portfolios or in such a manner that the overall price allocated may not be beneficial to any one client. If an aggregated order quantity exceeds the amount ultimately executed during the relevant trading day, the resulting partial fill will be distributed among the applicable client accounts *pro rata* based on the intended pre-trade allocation.

SECOR's trading process generally endeavors to allocate executed transactions on a *pro-rata* basis among participating clients and in a way that furnishes each client with the same average fill price. SECOR intends to allocate investment opportunities on a fair and equitable basis in view of the respective clients' investment objectives and restrictions and available capital and SECOR maintains trade allocation and order aggregation policies that are regularly reviewed by the Chief Compliance Officer and members of SECOR's Investment Team.

**C. Trade Errors**

Although there exists no standard definition of what constitutes trading errors, examples of trade errors include the following:

- Purchasing securities not legally permitted for an account or fund, or not within an account's or fund's investment guidelines; and
- Purchasing or selling securities for the wrong account or fund.

SIM has established trade processes and procedures designed to reduce the likelihood of errors and, in its sole discretion, will determine what constitutes a trade error.

SIM's general policy is to seek to identify and correct any trade errors promptly and in the best interests of the affected client(s), without disadvantaging our clients or benefiting SIM. SIM will compensate a client for a loss from a trade error if SIM determines that it did not meet the appropriate standard of care. Applicable law and/or the client's Investment Management Agreement typically specify the applicable standard of care. Lost opportunity is not a reimbursable loss; SIM will not be responsible for any indirect, consequential or punitive damages for purposes of this policy.

SIM will use reasonable methods to calculate the reimbursement due to the client, if any. SIM's process to correct trade errors may be complex and require coordination with multiple parties, and therefore SIM's ability to correct trade errors promptly will be based on the specific circumstances of the error.

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

### **A. Frequency and Nature of Review of Client Accounts or Financial Plans**

Our senior personnel, including our individual portfolio managers and researchers, conduct periodic reviews of our clients' portfolios. These reviews consider but are not limited to a review of performance, transactions, and compliance to guidelines and strategy.

Informal periodic reviews consider but are not limited to a review of performance, transactions, compliance with guidelines and other criteria relevant to the management of client portfolios. Additional reviews may be conducted during times of market stress, strategy change, and portfolio transition or as determined by SIM or the client.

### **B. Factors Prompting Review of Client Accounts Other than a Periodic Review**

A review of a client portfolio may also be triggered by any activity or unusual circumstances.

### **C. Content and Frequency of Account Reports to Clients**

In general, SIM delivers unaudited reporting on a monthly basis or as frequently as agreed to with the client. This reporting may include performance, portfolio values, transactions, positions, and other criteria agreed between the client and SIM.

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

### **A. Economic Benefits for Providing Services to Clients**

Not applicable.

### **B. Compensation to Non-Supervised Persons for Client Referrals**

SIM has entered into an arrangement with a paid promoter for client referrals. The existence of this arrangement, as well as certain terms thereof, including the fact that such promoter is compensated, will be disclosed to affected clients. Clients do not pay any additional fee in relation to the services that such promoter provides to SIM.

## **Item 15: Custody**

Our clients that are pooled investment vehicles, other than the UCITS fund, are audited in accordance with U.S. generally accepted accounting standards (“GAAS”) by an independent public accounting firm that is registered with, and subject to regular inspections by, the Public Company Accounting Oversight Board (“PCAOB”). The audited financial statements are distributed to investors in the client pooled investment vehicles within 120 days of fiscal year-end. Client assets are held at “qualified custodians.”

With respect to the UCITS fund, this fund is on a platform regulated under the laws of the Central Bank of Ireland. The audited financial statements are distributed to investors in the client pooled investment vehicles within 120 days of fiscal year-end. Client assets are held at “qualified custodians.”

## **Item 16: Investment Discretion**

SIM accepts authority to manage client assets on a discretionary basis or on a non-discretionary basis. SIM requires that an investment management agreement be executed with each client. SIM works closely with clients to develop custom investment guidelines. The investment guidelines dictate the restrictions and limitations placed on SIM's investment authority.

SIM generally has the ability to leverage and otherwise encumber the assets in clients' accounts and to transfer assets among a client's accounts as permitted by the client.

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

### **A. Policies and Procedures Relating to Voting Client Securities**

Not applicable.

### **B. No Authority to Vote Client Securities and Client Receipt of Proxies**

SIM does not accept authority to vote client securities at this time. Clients will generally receive their proxies and solicitations directly from their custodians or transfer agents.

## **Item 18: Financial Information**

### **A. Balance Sheet**

This item is inapplicable as we do not require or solicit prepayment of more than \$1,200 in fees six months or more in advance.

### **B. Financial Conditions Likely to Impair Ability to Meet Contractual Commitments to Clients**

Not applicable.

### **C. Bankruptcy Filings**

Not applicable.