

JEFFERIES INVESTMENT ADVISERS LLC

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# Form ADV Part 2A Brochure For Wrap Fee Accounts

AUGUST 2023

This brochure provides information about the qualifications and business practices of Jefferies Investment Advisers LLC. If you have any questions about the contents of this brochure, please contact us at 212.284.1777. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority. Registration with the SEC does not imply a certain level of skill or training.

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

Jefferies

**ITEM II. MATERIAL CHANGES**

This Brochure is dated August 2023 and is an amendment to the prior brochure filed in July 2023.

Since the filing of JIA's last Brochure, we note the following material changes:

- A description of how cash will be managed and the Sweep Products, as defined below, used to manage cash held in wrap fee accounts has been added to Item IV(A).
- A description of how account fees are handled upon the termination of a wrap-fee account has been added to Item IV(C).
- The timing of the negotiation of the fee schedule for account fees between our Clients, as defined below, and JIA has been updated in Item IV(C) to reflect our current account opening and opening processes.
- A description of material risks associated with investments in money market funds has been added to Item VI(D).

Other updates to certain information are contained in this Brochure. However, we do not believe these updates constitute material changes to our Brochure.



## ITEM III. TABLE OF CONTENTS

IV.	Services, Fees, and Compensation	3
A.	Wrap Fee Account Background	3
B.	Description of Accounts	4
C.	Fees and Other Compensation	6
D.	Funding and Withdrawals	11
V.	Account Requirements and Types of Clients	12
VI.	Portfolio Manager Selection and Evaluation	13
A.	Third-Party Sub-Adviser Evaluation	13
B.	JIA Representative Evaluation	13
C.	Performance-Based Fees and Side-By-Side Management	13
D.	Methods of Analysis, Investment Strategies and Risk of Loss	14
E.	Voting Client Securities	19
VII.	Client Information Provided to Portfolio Managers	20
A.	Initial and Supplemental Client Information	20
B.	Client Information Provided to Sub-Advisers and JIA Representatives	20
VIII.	Client Contact with Portfolio Managers	20
IX.	Additional Information	20
A.	Disciplinary Information	20
B.	Other Financial Industry Activities and Affiliations	21
C.	Brokerage Practices	21
D.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	23
E.	Review of Accounts	24
F.	Client Referrals and Other Compensation	25
G.	Financial Information	25

## ITEM IV. Services, Fees, and Compensation

### A. Wrap Fee Account Background

Jefferies Investment Advisers LLC ("JIA" or "we"), is a wholly owned subsidiary of Jefferies Financial Group Inc. JIA was formed on February 2, 2023 to assume the business previously conducted through the Wealth Management Division of our affiliate, Leucadia Asset Management LLC. We offer a variety of investment advisory and related services to our clients ("Clients").

This Brochure provides information that a prospective Client should consider before enrolling in a wrap fee account ("Account") with JIA.

The Accounts include five (5) advisory account types. These Account types are listed below and described further in Section B – Description of Accounts.

ACCOUNT TYPE	DISCRETIONARY OR NONDISCRETIONARY	ADVISOR	FEE
JIA Discretionary	Discretionary	JIA	Single Fee
JIA Nondiscretionary	Nondiscretionary	JIA	Single Fee
Separately Managed Account (SMA)	Discretionary	Third-Party Sub-Adviser (Non-JIA)	Single Fee
Unified Managed Account (UMA)	Discretionary	JIA / Third-Party Sub-Adviser	Single Fee
Fund Strategist Portfolios	Discretionary	Third-Party Sub-Adviser (Non-JIA)	Single Fee

Clients interested in opening an Account work with a JIA Representative to determine which Account type is appropriate for them through a Client discovery process. As part of this process, we gather information about each Client's financial goals, financial situation, level of sophistication, investment experience and risk tolerance, as well as any reasonable restrictions the Client would like to place on the management of the Account(s) (collectively this information is referred to as the "Client Profile"). Based on an analysis of this information, we will recommend an Account type and investment strategy consistent with the Client Profile.

If, after receiving such recommendations, a Client wishes to enroll in an Account, the Client will sign a Single Advisory Contract which requires the selection of an investment advisory account type, a corresponding supplement for the account type selected (each, a "Client Agreement"), and a Statement of Investment Selection (a "SIS") with us in respect of each Account. The Client Agreement specifies the terms and conditions that govern a Client's participation in the particular Account, including the Account options, services, and fees, and how the Client Agreement may be terminated. The execution of a Single Advisory Contract authorizes us to open additional investment advisory accounts for a Client over time or change a Client's enrollment from one type of account to another based on the Client's instructions, which may be written or verbal. Any such change s to a Client's Account(s) will take effect once confirmed by JIA in writing, which may be sent to the Client electronically.

Each Client may request reasonable restrictions on the management of their Accounts' assets, which are subject to acceptance in JIA's or any third-party manager's ("Third-Party Sub-Adviser") reasonable discretion. Clients should be aware that any restrictions may impact performance and diversification of the Account. In addition, restrictions will not be applied to the holdings of any funds held in a Client's Account.

Account Assets, as defined below, will generally be maintained in a brokerage account introduced by Jefferies LLC ("Jefferies"), a broker-dealer affiliated with us, to a carrying broker-dealer we select (currently Pershing LLC ("Pershing") or such other qualified broker-dealer we select, the "Carrying Broker"), which will act as custodian for the Account Assets. Clients may select a qualified broker-dealer, bank, or custodian of their own choosing (which we refer to as "held away" accounts) and will be responsible for negotiating the terms of services and paying any fees or charges of such broker-dealer, bank, or custodian. If at any time a Client revokes its grant of authority to us to make investment decisions for a discretionary Account, then the

Account will, subject to notice and termination provisions set forth in the Client Agreement, be treated solely as a brokerage account and will no longer be an advisory account with us, and no JIA Representative will have any responsibility as a fiduciary for the Account. Please note that Clients with Accounts held at a custodian other than the Carrying Broker or Jefferies may continue to be charged fees by such custodians after the termination of their relationship with JIA as JIA does not have the ability to impact or stop fees charged by third parties.

If a JIA Representative is removed or resigns from JIA or from the management of an Account, we will assign a new JIA Representative within three business days and notify the affected Clients, who will have an opportunity to (i) choose a new JIA Representative if the Client prefers a different JIA Representative than the one assigned, (ii) close the Account, or (iii) convert the Account from an advisory account with us to a brokerage account. If at any time a Client revokes its grant of authority to us to make investment decisions for an Account, then the Account will, subject to notice and termination provisions set forth in the Client Agreement, be treated solely as a brokerage account and will no longer be an advisory account with us, and no JIA Representative will have any responsibility as a fiduciary for the Account.

Trades will typically be executed by the primary broker for the given Account ("Primary Broker"). For Accounts that are sub-advised by a Third-Party Sub-Adviser ("Sub-Advisory Accounts"), all trades will be executed by either Jefferies or the Carrying Broker unless the applicable Third-Party Sub-Adviser, in its sole discretion, executes the trades through another broker-dealer that the Third-Party Sub-Adviser believes may provide better execution. All trades will be executed by Jefferies or by the Carrying Broker, or the Client's chosen custodian in the case of Accounts that are held away. In all cases, the Carrying Broker or the Client's custodian will provide clearing and settlement services. The fees paid by Clients to JIA via an Account will cover execution costs incurred by Jefferies and trade execution costs through the Carrying Broker, as well as custody and reporting services. Fees and costs that are not part of the Account Fee, as defined below, include fees for portfolio transactions executed away from the Carrying Broker, dealer mark-ups, electronic fund and wire transfers, spreads paid to market-makers, dealer mark-ups, market maker spreads and exchange fees, among others. Generally, some portion of an Account will be held in cash. Periodically, depending on the amount of the cash balance and according to a schedule, the Carrying Broker and its affiliates determine in their discretion, to automatically sweep uninvested cash into money market funds, FDIC-insured bank deposit accounts or such other accounts or arrangements ("Sweep Product") as the Carrying Broker and its affiliates may make available. Clients may select that cash held in their Account(s) be swept into other Sweep Products made available by the Carrying Broker and its affiliates other than the default Sweep Product selected for the cash in the Client's Account(s) during the account opening process. The Sweep Products may, to the extent permitted by applicable law, include money market funds for which JIA, Jefferies or the custodian for the Account may receive service and/or distribution (rule 12b-1 fees) fees, revenue sharing payments or other compensation, and these fees and compensation may vary depending on the money market fund (or share class) used. In any situation where JIA or its affiliates receive a rule 12b-1 fee and/or revenue-sharing payment with respect to a money market share class held in an Account, JIA will rebate such rule 12b-1 fees and/or revenue-sharing payments to the Account as a credit against the Account Fee. Rule 12b-1 fees or other such fees related to revenue-sharing payments may not reduce or offset the account charges charged by the custodian in connection with an Account, except to the extent required by applicable law.

## **B. Description of Accounts**

### **JIA Discretionary Account**

In a JIA Discretionary Account, the Client appoints one or more JIA Representative(s) to have full discretion over the type and amount of securities to buy or sell, as well as the timing on trade execution, without the Client's specific prior authorization. The JIA Representative(s) will manage the assets in a JIA Discretionary Account in accordance with the information contained in the Client Agreement, the SIS, and subject to any reasonable restrictions requested by the Client and accepted by JIA in the Client Profile.

Depending on the Client's investment goals and risk tolerance, the JIA Representative(s) assigned to a JIA Discretionary Account may determine to buy or sell various types of financial products, including but not limited to equity securities (such

as exchange-listed securities, securities traded over-the-counter (“OTC”), securities of U.S. or foreign issuers, whether publicly or privately traded, and distressed securities), options on equity securities, debt securities (such as municipal securities, U.S. government securities, high yield bonds and other fixed-income securities), warrants, commercial paper, exchange-traded funds (“ETFs”), mutual funds (together with ETFs, “Registered Funds”), including but not limited to money market funds, exchange-traded products (“ETPs”), such as exchange-traded notes (“ETNs”), and complex financial products, such as structured notes. Our trading strategies, depending on the applicable Client’s investment goals and risk tolerance, may include both short-term trading and long-term purchases. Our trading strategies may also include buying on margin, short-selling and options trading if approved by the Client.

### **JIA Nondiscretionary Account**

In a JIA Nondiscretionary Account, the Client appoints one or more JIA Representative(s) to offer investment advice and to make recommendations regarding which securities to purchase and sell. We provide services such as an asset allocation plan, investment recommendations and portfolio monitoring. The Client must approve individual investment selections, purchases, and sales prior to the JIA Representative arranging for the execution of any trades. JIA Nondiscretionary Accounts may only engage in trades pursuant to our recommendations. A Client may not direct trades in a JIA Nondiscretionary Account that we have not recommended.

Depending on the Client’s investment goals and risk tolerance, the JIA Representative(s) assigned to an Account may recommend the purchase or sale of various types of financial products, including but not limited to equity securities (such as exchange-listed securities, securities traded OTC, securities of U.S. or foreign issuers, whether publicly or privately traded, and distressed securities), options on equity securities, debt securities (such as municipal securities, U.S. Government Securities, high yield bonds and other fixed-income securities), warrants, commercial paper, ETPs, Registered Funds, and complex financial products, such as structured notes. The JIA Representative also may recommend the purchase or sale of interests in hedge funds, private equity funds, managed futures funds, commodity pools, or other pooled investment vehicles that invest in alternative asset classes, or other funds that invest in whole or in part in any of the foregoing types of funds (collectively, “Alternative Investment Funds”). Our trading recommendations, depending on the Client’s investment goals and risk tolerance, may include both short-term trading and long-term purchases. Our trading recommendations may also include options trading if approved by the Client and JIA.

A third-party administrator may be retained to provide administrative services in respect of this Account.

### **Separately Managed Account**

In a Separately Managed Account (“SMA”), the Clients selects a Third-Party Sub-Adviser from an approved list provided by JIA (each, a “Third-Party Sub-Adviser”). The Third-Party Sub-Adviser(s) have full discretion over the type and amount of securities to buy or sell, as well the timing on trade execution, without Client’s specific prior authorization.

The Third-Party Sub-Adviser will manage the assets assigned to the SMA in accordance with the information contained in the Client Profile, Client Agreement, and the Third-Party Sub-Adviser’s investment process as described in the Third-Party Sub-Adviser’s Form ADV Part 2A; and subject to any reasonable restrictions requested by the Client and accepted by JIA and the Third-Party Sub-Adviser. We have not reviewed and are not responsible for the accuracy or contents of any Third-Party Sub-Adviser’s Form ADV Part 2A.

If a Third-Party Sub-Adviser is no longer offered for the management of an SMA, we will notify the affected Clients, who will have an opportunity to terminate participation in the SMA or select another Third-Party Sub-Adviser. If after a reasonable attempt to contact the Client, we are unable to obtain such instructions, the Client Agreement gives us the authority (but not the obligation) to select an appropriate replacement Third-Party Sub-Adviser.

We may engage a third-party service provider that specializes in processing, administering, and providing services and technologies. When a Client selects a Third-Party Sub-Adviser for an SMA, we may instruct the third-party service provider to engage the Third-Party Sub-Adviser for the management of the SMA.

### **Unified Managed Account**

In a Unified Managed Account ("UMA"), a JIA Representative, a Third-Party Sub-Adviser, or a combination of both, will create an aggregate investment model where the JIA Representative and/or Third-Party Sub-Adviser(s) will have full discretion over the type and amount of securities to buy or sell, as well the timing of trade execution, without Client's specific prior authorization. Within a UMA, a third-party service provider may provide tax overlay services which may allow Clients to optimize tax efficiency.

In connection with UMAs, we have engaged a third party to provide services. The third-party service provider provides us with portfolio maintenance tools and portfolio trade order processing services. The third party provides a selection of investment models, either created by a third-party service provider, a Third-Party Sub-Adviser or another third-party money manager. The third-party provides JIA with portfolio maintenance tools and portfolio trade order processing services for the purpose of assisting JIA with the provision of investment management services to Clients. JIA Representatives and/or the Third-Party Sub-Adviser is responsible for selecting the specific investments in the appropriate model to meet the Client's needs. In certain instances, JIA may determine the target asset mix in addition to selecting the underlying investments and utilize the third party solely for administrative and trading services.

For UMA Accounts, Client will agree and acknowledge that any third parties used by JIA shall have no liability relating to the specific responsibilities assumed by JIA.

### **Fund Strategist Portfolios**

Fund Strategist Portfolios are model portfolios provided by a Third-Party Sub-Adviser that typically are composed of Registered Funds advised or sponsored by the Third-Party Sub-Adviser or its affiliates. The Third-Party Sub-Adviser or one of its affiliates is responsible for managing the registered funds in the given model portfolio, while the JIA Representative is responsible for assessing which portfolio is suitable for a particular Client's Account and assisting Clients in reallocating assets in their Account(s) to their target asset allocation.

We have engaged a third-party service provider to provide services for Fund Strategist Portfolio Accounts. The third-party service provider provides us with access and comprehensive program support of its asset allocation and wrap products. We will have access to portfolios that have been reviewed by the third party's investment consultancy team, which analyzes the investment style, philosophy, past performance, and personnel of the investment strategists for such funds. We may choose to have access to certain registered funds that have not undergone the third-party service provider's due diligence.

## **C. Fees and Other Compensation**

### **Account Fee**

For most services provided to Accounts, Clients pay a single fee (the "Account Fee"). The Account Fee covers the consulting, administrative and advisory services we provide, as well as trade execution (except as described below), custody (except as described below), and reporting services.

Where a Third-Party Sub-Adviser has been engaged, the Account Fee also includes the advisory services of the Third-Party Sub-Adviser. We are responsible for compensating each Third-Party Sub-Adviser for its advisory services in an amount that is subject to negotiation between us and each Third-Party Sub-Adviser. The amount we pay Third-Party Sub-Advisers varies, and generally ranges from 2 to 100 basis points (0.17% to 1.00% per annum of Account Assets for the Accounts managed by Sub-Advisers). Clients should understand that we can seek to negotiate a reduction in a Third-Party Sub-Adviser's fees

and are not required to pass any reduction on to the Client in the form of a lower Account Fee and that, depending on the Account, differences in fees paid to Third-Party Sub-Advisers presents a conflict of interest because we have an incentive to allocate Client Account Assets to Third-Party Sub-Advisers to which we pay lower fees. In the case of SMAs or UMAs, the Account Fee also covers the administrative fee we pay to the third-party service provider. JIA's third-party service provider may charge Third-Party Sub-Advisers an administrative fee to cover expenses associated with the portfolio accounting, billing support provided to the Third-Party Sub-Advisers, tax lot or performance reporting and other administrative services. The Third-Party Sub-Advisers pay this administrative fee directly to the third-party service provider, and such administrative fee is not charged directly to the Client's Account.

The Account Fee is negotiated with each Client and is generally calculated by applying an annual Account Fee set forth in the fee schedule ("Fee Schedule") to the value of the Client's Account Assets (as defined below), determined monthly or quarterly as set forth in the Fee Schedule. JIA does not maintain a standard fee schedule for Accounts described in this Brochure. The Account Fee will be customized based on the type of Account and the services required for the Client's Account(s). The maximum Account Fee is 2.5% of the value of the Client's Account Assets. The Account Fee will be assessed on an Account-by-Account basis. "Account Assets" consist of the cash, securities and debt instruments that are placed into the Account by the Client, plus all investments, reinvestments, and proceeds of the sale of those assets, including, without limitation, all dividends and interest on investments, all assets acquired using margin, and all appreciation and other additions and less depreciation and withdrawals, and any additional assets that Client requests be included in the Account. For any Accounts that are held away, "Account Assets" include assets held away from the Carrying Broker that are reflected in the performance reports generated by JIA or otherwise designated by JIA as Account Assets.

The Account Fee will equal either a flat fee or (on an annualized basis) the percentage as set forth in the Fee Schedule of the fair market value of the Client's Account Assets in each Account. The Account Fee will be debited in one of the following manners:

- Quarterly in advance
- Quarterly in arrears
- Monthly in advance
- Monthly in arrears

Further information about the Account Fee is available within the Fee Schedule. The basis for calculating the Account Fee is agreed to in the

Client Agreement in respect of each Account, and provided to the custodian or the Client's custodian, as applicable.

Except in the case of Account Assets held away at a custodian other than the Carrying Broker, the Carrying Broker determines fair market value of all assets held in the Accounts and the value of the Accounts for purposes of calculating the Account Fee. For Account Assets held in the custody of the Client's chosen custodian, the Client's custodian is responsible for determining the fair market value of such assets and providing the valuations to us in a timely manner so that we may calculate the Account Fee.

For positions in Alternative Investment Funds, which are currently only available in JIA Nondiscretionary Accounts, the Account Fee is generally calculated on the basis of estimated and unaudited net asset values provided by the investment managers of such Alternative Investment Funds. In most cases, Alternative Investment Funds provide estimated valuations only periodically, typically as of a month- or quarter-end. As a result, the portion of the Account Fee attributable to Alternative Investment Funds may be calculated using estimated net asset values provided for the prior period, and, therefore, would be based on a valuation that does not reflect the current net asset value of the Client's Alternative Investment Funds as of the date the Account Fee is actually calculated. There can be no assurance that estimated net asset values provided for Alternative Investment Funds and used to calculate the Account Fee are accurate. Neither we nor Jefferies verify the valuations provided by the investment managers. Investment managers generally do not adjust

estimated valuations retroactively; instead, they typically reflect any difference between the initial estimate and the final valuation in the following monthly or quarterly performance estimate. For more information about how net asset value is determined, please refer to the prospectus, private placement memorandum or other offering and disclosure documents relating to such investments ("Offering Materials") for the relevant Alternative Investment Fund.

The overlay manager (a third-party provider) is responsible for calculating the Account Fee, and the Carrying Broker is responsible for paying us the Account Fee out of each Account. To the extent the Client maintains JIA Nondiscretionary Account assets with the Client's custodian, the Client agrees to authorize its custodian to debit the applicable portion of the Account Fee from such account. It is each Client's responsibility to verify the accuracy of such fee calculation.

The initial Account Fee is calculated at the end of the Client's first month or quarter in the Account. The initial Account Fee for any partial month or calendar quarter is prorated based on the number of calendar days in the partial month or quarter. Thereafter, the Account Fee is calculated at the beginning of each month or calendar quarter based on the fair market value of Account assets on the last business day of the prior month or calendar quarter. If a Client invests or withdraws \$10,000 or more in any Account after the beginning of a month or calendar quarter, the Account Fee for that month or quarter, as applicable, will be recalculated and prorated as of the day of the additional investment or withdrawal. If the Client Agreement is terminated and all Account assets are withdrawn from the Account prior to the end of a month or quarter, the Account Fee for that period will be prorated based on the portion of such month or quarter that the Client Agreement was in effect, with any applicable refund automatically returned to the Client. Such refund will either be credited to the Account or sent directly to the Client at the Client's last address on record if the Account has closed.

If there is insufficient cash in an Account at the time the Account Fee is to be debited, we are authorized in accordance with the Client Agreement to sell (or direct the Third-Party Sub-Adviser or the Client's custodian to sell, as applicable) an amount of Account Assets to generate sufficient cash to pay the Account Fee. This may create a taxable gain or tax loss for the Client. If Account Assets are illiquid and a sale of such Account Assets to pay the Account Fee is not feasible, we are authorized in accordance with the Client Agreement to send the Client an invoice for the unpaid balance of the Account Fee.

If an Agreement is terminated by either the Client or JIA prior to the end of a billing period, a pro-rata refund of any Account Fee paid for the remainder of the period will be made. If an Account is terminated in its entirety by either the Client or JIA prior to the Account Fee being billable or billed, the Client will pay standard Jefferies commissions, mark-ups, mark-downs and any other related transaction fees and charges for all transactions in the Account.

Each Account entails a bundled fee for advisory, transaction and certain other services. Each Account may cost a Client more or less than purchasing the bundled services separately. In the case of Accounts that include a sub-advisory component, engaging each Third-Party Sub-Adviser separately, and/or separately engaging us or another provider for asset allocation advice, may cost a Client more or less than participating in those Accounts. Moreover, for all Accounts, paying an asset-based fee that includes transaction costs may be more expensive than paying a transaction-based fee, particularly for Clients whose Accounts do not trade frequently. Clients should carefully consider whether our Accounts are appropriate for their investment needs. In that regard, Clients should understand the investment strategy selected and how frequently the Third-Party Sub-Adviser or JIA Representative, as applicable, effects and expects to effect transactions in the Client's Account. Relative transaction infrequency could have a bearing on whether an annual inclusive asset-based fee account (such as the fee offered by the Accounts) is more appropriate than a commission-based account. **Clients seeking strategies involving infrequent trading activity should consult with their JIA Representative to consider a different type of account or service provided by us.**

#### **Fees and Costs in Addition to the Account Fee**

Although the Account Fee includes most fees and costs expected to be incurred by an Account, there are some expenses that will be charged to an Account in addition to the Account Fee. Fees and costs that are not part of the Account Fee, and

will be charged separately to an Account, include, without limitation, commissions and commission equivalents for portfolio transactions executed away from the Primary Broker for the applicable Account (except that such fees will be covered by the Account Fee for the SMA); dealer mark-ups, mark-downs and spreads; electronic fund and wire transfers; spreads paid to market-makers; exchange fees; fees, charges or other costs and expenses relating to trading in foreign securities (other than commissions otherwise payable to the Account's Primary Broker); American Depositary Receipts (ADRs) conversion fees; IRA and Qualified Retirement Plan account termination fees; transfer taxes; margin interest; fees charged in connection with short sale transactions; Fund (as defined below) redemption fees; and certain one-time charges related to Carrying Broker-sponsored retirement services (such as the set-up fees for 401(k) plans). To the extent an Account is invested in a Registered Fund, Alternative Investment Fund or other similar collective investment vehicle (collectively, "Funds"), the Account will be subject to the standard fees charged by such Funds to their investors, including management and performance-based fees (including paid to Jefferies or one of its affiliates in the case of Funds sponsored and/or managed by Jefferies or one of its affiliates to the extent permitted by law), performance-based compensation, commissions and other transaction-related charges incurred by a Fund but ultimately paid by the Fund's shareholders or investors. The Account Fee also does not include any fees, costs, expenses, or commissions charged by the Client's custodian, including custodial or administrative fees. All such fees will be separately charged to Client's Account.

A JIA Representative, in the JIA Representative's capacity as our agent or as an agent of Jefferies, may suggest that a Client use other products and services offered by us or our affiliates that are not available through the applicable Account in which a Client Account is enrolled. Clients who use these other products or services will do so outside of the applicable Accounts, and will pay additional fees and charges.

Clients should expect that the JIA Representative suggesting that the Client use such other products and services will receive additional compensation if the Client agrees to do so.

### **Third-Party Sub-Adviser Trade Away Practices**

Third-Party Sub-Advisers are required to seek best execution for all trades, which means the Third-Party Sub-Adviser has full authority to execute trades with those broker-dealers that the Sub-Adviser believes are capable of providing best qualitative execution under the circumstances. In the Accounts managed by a Third-Party Sub-Adviser, Clients will not pay additional trading costs when trades are executed by the Primary Broker. For this reason, the Third-Party Sub-Advisers may determine that the Primary Broker's execution capabilities provide the most favorable option for placing trade orders in Client Accounts. However, Third-Party Sub-Advisers may choose to execute trades with another broker-dealer if the Third-Party Sub-Adviser reasonably believes another broker-dealer other than the Primary Broker can obtain a more favorable execution under the circumstances. This practice is frequently referred to as "trading away" and these types of trades are frequently called "step-out" trades. Step-out trades are executed at another broker-dealer and cleared and settled at the Carrying Broker or the Client's custodian.

When the Third-Party Sub-Advisers elect to trade with broker-dealers other than the Primary Broker, there are additional trading costs such as commissions, markups, and markdowns that are charged or built into the execution price of the security. These additional trading costs are in addition to the Account Fee and will have the effect of increasing the overall costs paid by Clients. Spreads incurred are not included in the Account Fee regardless of whether the trades are executed through the Primary Broker or another broker-dealer.

**The Third-Party Sub-Adviser is solely responsible for ensuring that it complies with its best execution obligations. Clients should review the Third-Party Sub-Adviser's Form ADV, Part 2A Brochure, inquire about the Third-Party Sub-Adviser's trading practices, and consider that information carefully, before selecting a Third-Party Sub-Adviser. In particular, Clients should carefully consider any additional trading costs that they may incur before selecting a Third-Party Sub-Adviser to manage an Account.**

## Additional Compensation We Receive

We retain the balance of the Account Fees remaining after paying all transaction fees, sub-advisory fees, administrative expenses, and other costs covered by the Account Fee. In addition, you should expect that we or our affiliates receive additional compensation for investments that Accounts make in Funds as follows:

- Jefferies receives fees when we or one of our affiliates provides distribution or other services to a Fund in which an Account invests. The fees that we or our affiliates receive for those services generally are based on the total amount of Clients' assets invested in the Fund.
- JIA's policy, when purchasing or recommending Registered Fund shares to an advisory Client, is only to purchase or recommend the lowest-cost share class available to the Client. JIA seeks, where possible, to purchase or recommend for advisory Clients only Registered Fund share classes that do not pay Jefferies or its Carrying Broker a Rule 12b-1 distribution and shareholder servicing fee, and for which neither the Registered Fund nor its service providers make revenue-sharing payments to Jefferies or its Carrying Broker. In certain cases, because a particular Registered Fund does not offer a share class without a Rule 12b-1 fee and/or revenue-sharing payments, or because a particular advisory Client is not eligible for a Registered Fund share class without a Rule 12b-1 fee and/or revenue-sharing payments, JIA may purchase or recommend a Registered Fund share class that does pay Rule 12b-1 fees and/or makes revenue-sharing payments. Similarly, in certain cases, an advisory Client may transfer into their Account a Registered Fund share class that pays a Rule 12b-1 fee and/or makes revenue-sharing payments. In any situation in which JIA or its affiliates does receive a Rule 12b-1 fee and/or revenue-sharing payment with respect to a Registered Fund share class held by an advisory Client, JIA will rebate that Rule 12b-1 fee and/or revenue-sharing payment to the advisory Client as a credit against the advisory Client's advisory fee.
- If an Account invests in a Fund sponsored and/or managed by JIA or one of its affiliates, JIA or the affiliate will have a right to receive management and performance compensation from the Account in respect of such investment.
- Jefferies receives fees from Alternative Investment Funds for which it acts as placement agent.
- Jefferies or an affiliate thereof also may be the issuer or serve as the counterparty of certain financial instruments purchased in the Client's Account. In such capacities, Clients should expect that Jefferies or such affiliate will receive fees or compensation in addition to the Account Fee.

JIA or its affiliate(s) will retain the compensation described above, and except to the extent required by applicable law, will not credit it back to Clients or apply it to reduce the Account Fee, transaction-based compensation, or other expenses. The JIA Representative associated with an Account that invests in such Funds may receive a portion of this compensation. Information about distribution and shareholder servicing fees is set forth in each such Fund's Offering Materials, which is provided to Clients. The availability of these fees creates a conflict between our interests and those of our Clients, and provides a financial incentive for us and our JIA Representatives to select or recommend investments for Accounts that maximize our compensation. Funds that do not pay revenue sharing payments are available.\*\*\*

Clients must advise their Third-Party Sub-Advisers and/or JIA Representatives of any wish to restrict Funds selected or recommended for their Accounts to those Funds that do not make revenue sharing payments to JIA or its affiliates.

In the case of transactions executed by the Carrying Broker for the Accounts with a Third-Party Sub-Adviser component, while the Carrying Broker designates Jefferies as introducing broker-dealer, and Jefferies provides administrative services in this capacity, the Carrying Broker does not separately compensate Jefferies for these services.

The JIA Representative associated with an Account receives, on a quarterly basis, a percentage of the Account Fee generated by such Account after certain expenses are deducted. JIA Representatives receive a larger share of the Account

Fee generated by JIA Discretionary Accounts, JIA Nondiscretionary Accounts, and UMAs (to the extent that there is a sleeve of the UMA managed directly by JIA) than by Sub-Advisory Accounts. Therefore, JIA Representatives have an incentive to recommend JIA Discretionary Accounts, JIA Nondiscretionary Accounts and UMAs over Sub-Advisory Accounts. Each JIA Representative has a fiduciary duty to the Clients whose Accounts it manages to put their interests above those of the JIA Representative, and as such will not direct a Client to open a JIA Discretionary Account or JIA Nondiscretionary Account if the JIA Representative determines that a Sub-Advisory Account would be more appropriate.

As disclosed above, JIA may also receive a fee for money held in bank deposits from the bank deposit program administrator.

**Compensation.** We could receive substantial compensation in the form of Account Fees, even from Accounts that lose value. Such Account Fees may exceed the fees that a Client might pay if the Client paid for services separately rather than as part of an Account.

#### **Additional Alternative Investment Fund Considerations for Fee-Based Nondiscretionary Accounts**

Prior to investing in an Alternative Investment Fund, Clients should consult with their JIA Representative and carefully review the Alternative Investment Fund's Offering Materials to evaluate all costs of the investment. Depending on the amount of the Account Fee, Client eligibility for certain classes of Alternative Investment Funds, the duration of Client's investment, the performance of the Alternative Investment Fund and other factors, it may be more economical to invest in Alternative Investment Funds through a brokerage account, rather than investing in Alternative Investment Funds through the fee based JIA Nondiscretionary Account. However, if a Client invests in Alternative Investment Funds through a brokerage account, the Client will not have access to the additional features and benefits of the fee based JIA Nondiscretionary Account.

Alternative Investment Funds generally impose material restrictions on a Client's ability to redeem or otherwise dispose of his or her investment. As a result, the Client may not be permitted to redeem all or a portion of an investment in an Alternative Investment Fund at the time of the Client's choosing and, in certain cases, may be required to hold such investments indefinitely. If a Client is permitted to redeem his or her interest in an Alternative Investment Fund, the redemption proceeds generally will not be available to the Client for a substantial period of time following the effective redemption date (which in certain cases could be a number of months). The Client will continue to pay the Account Fee on the value of the investment in an Alternative Investment Fund until the effective redemption date. However, there may be certain limited circumstances in which we may determine to designate the shares of a particular Alternative Investment Fund as an asset not covered by the Account Fee or an ineligible asset, which may include circumstances in which an Alternative Investment Fund has suspended redemptions, or the payment of redemption proceeds altogether. Any such determination will be made in accordance with our policies and procedures.

#### **D. Funding and Withdrawals**

A Client may contribute securities and other investments eligible for inclusion in an Account (instead of or in addition to cash) to fund the Client's Account, although the Client should expect that the securities and other investments will be sold. The Client is responsible for payment of any and all taxes due in connection with the Client's Account, including taxes incurred in connection with the purchase or sale of securities and other investments. Therefore, the Client should carefully consider making "in kind" contributions to an Account, particularly contributions of securities and other investments with a low-cost basis. The Client is advised to consult with a professional tax advisor concerning the effect of this tax treatment and sales of contributed securities on the Client's individual circumstances.

Clients should consider all relevant factors before contributing Fund shares to their Account, including, but not limited to: (i) with respect to Registered Fund shares, whether the Client will be able to purchase additional shares of that or any Registered Fund in his or her Account; (ii) with respect to certain Fund shares, that Client may not be permitted to purchase additional shares in their Account or that we may require that the Client transfer such shares out of an Account or convert such shares into shares structured for use in the Account; (iii) that Client may have paid a front-end sales charge or may be

subject to Contingent Deferred Sales Charge or redemption fees; and (iv) that such sales charges and fees, if applicable, will remain Client's responsibility and will be in addition to the Account Fee.

If the Client is contributing or holding mutual fund shares in his or her Account, the Client should consider the following information. Certain mutual funds may offer only one class of shares, while other mutual funds may offer multiple share classes available for investments based upon certain eligibility and/or purchase requirements. For instance, in addition to the more commonly offered share classes (typically, Class A, B and C shares), mutual funds may also offer share classes that are specifically designed for purchase in an account enrolled in a fee-based investment advisory program, such as the Class A shares. Classes of shares designed for purchase in an investment advisory program usually have a lower expense ratio than other share classes. Mutual funds often permit the conversion of shares from one class to another, subject to certain conditions as determined by the mutual fund. A JIA Representative may recommend the conversion of the Client's shares to another available share class when the JIA Representative believes the fee structure of the new class of shares will be more beneficial to Client. Clients should not assume that they will be invested in the share class with the lowest possible expense ratio. Our assessment of the appropriate share class is based on a range of different considerations, including but not limited to the Account Fee and the overall cost structure of the Account, operational considerations associated with accessing or offering particular share classes, including the presence of selling agreements with the mutual fund sponsors and the ability to access particular share classes through the custodian, share class eligibility requirements and the availability of revenue sharing, distribution fees, shareholder servicing fees or other compensation associated with offering a particular class of shares..

### **Tax Matters**

The Client is responsible for all tax liabilities arising from the transactions in an Account, including transactions resulting from our implementation of the Client's rebalancing, automatic withdrawal, or automatic contribution instructions. In addition, if a Client is not a resident of the United States, the Client may experience additional adverse tax consequences.

If a Client invests in Alternative Investment Funds, certain of these Alternative Investment Funds will provide the Client with a Schedule K-1 for tax reporting purposes. In the event that a Schedule K-1 is not available prior to April 15, the Client will generally be required to obtain an extension of the filing date of the Client's income tax returns at the Federal, state, and local levels.

We do not provide tax, accounting or legal advice, and Clients should seek the advice of their own tax advisors regarding the tax implications of their investments and transactions.

## **ITEM V. Account Requirements and Types of Clients**

Our advisory services are available to high net worth individuals, trusts, estates, foundations, charitable organizations, corporations, and other business entities. We do not generally place restrictions on the types of Clients who may hold Accounts (except as may be imposed by law); however, we retain the right to refuse any prospective Client for any reason. Among other things, we will not knowingly enter into an investment advisory relationship with a current or prospective Client whose investment goals and risk tolerance we deem incompatible with those of the applicable Account or whose investment guidelines we deem unduly restrictive.

Our general account minimum for Client participation in any of our Accounts is \$250,000. If a Client withdraws assets from an Account with the result that the value of the Account is less than the required minimum, we may elect to terminate the Account. Clients are required to enter into a Client Agreement with us and, if applicable, each Third-Party Sub- Adviser, in order to open an Account, and to complete a Client Profile as described in Section II above.

## ITEM VI. Portfolio Manager Selection and Evaluation

### A. Third-Party Sub-Adviser Evaluation

We play an active role in evaluating and reviewing Third-Party Sub-Advisers. Prior to placing a third-party investment manager on the list of investment managers that are available to act as Third-Party Sub-Advisers for Client Accounts, we undertake a due diligence review of the Third-Party Sub-Adviser. This due diligence review is based on quantitative and qualitative information provided by the Third-Party Sub-Adviser. We also engage a third-party research provider to evaluate the investment process, organizational stability, investment team tenure, product pricing, performance and risk/return characteristics of third-party separately managed account investment managers. The research provider provides our team with screens, rankings, and alerts to summarize their findings. The research provider's findings are reviewed regularly and may be made available to the JIA representatives.

For SMAs on our third-party platform, the platform provider requires each SMA manager to complete an "Investment Manager Questionnaire" and update that questionnaire annually to stay on that third-party platform. The initial submission is reviewed by the third-party platform's management committee before an SMA strategy is made available. For SMAs not on our third-party platform, we supplement the diligence from our third-party research provider and directly engage with the SMA Manager. Our review includes evaluation of the Third-Party Sub-Adviser's people, performance, and process at least annually. Important findings from these evaluations may be made available to JIA Representatives.

Although we, or our third-party research provider, review the performance information provided by Third-Party Sub-Advisers, and use this information in conducting initial evaluation and periodic performance reviews of Third-Party Sub-Advisers, we do not audit the information for accuracy or verify the appropriateness of the methodology on which the performance is calculated or presented. In addition, performance information may be calculated in different ways for mutual funds, separately managed accounts, single securities across taxable and tax-exempt accounts. Because the methods for calculating performance and forming composites may differ among Third-Party Sub-Advisers, there may be limits to the value of comparing performance of more than one Third-Party Sub-Adviser employing similar investment strategies. Past performance, under any circumstance, is not indicative of future results and, as such, prospective Clients of the Account should not place too much emphasis on performance information we or our third-party service provider with respect to each Third-Party Sub-Adviser.

### B. JIA Representative Evaluation

In the case of JIA Discretionary Accounts, JIA Nondiscretionary Accounts, and UMAs (to the extent that there is a sleeve of the UMA managed directly by JIA), the Client, and not JIA, will select the applicable JIA Representative(s). We will permit a JIA Representative to act (and to continue to act) as the designated JIA Representative for an Account based on our determination that the JIA Representative has an appropriate track record, past experience managing Client portfolios, registration status, compliance record, and an appropriate proposed investment strategy. We have a conflict of interest in evaluating our own JIA Representatives with respect to the provision of services to Clients. We are, however, mindful of the duty that we owe to our Clients to put their interests above our own or those of our JIA Representatives. We further believe that ensuring the highest quality in our JIA Representatives will benefit both our Clients and ourselves in the long run. We generally review each JIA Representative on a quarterly basis based on similar criteria and metrics as those used in our review of Third-Party Sub-Advisers.

### C. Performance-Based Fees and Side-By-Side Management

JIA does not receive performance-based fees from any of our Clients. We have other affiliates that do charge performance-based fees. We do not share any management or advisory personnel with those affiliates, nor do the management or advisory personnel of those affiliates have access to the investment advice provided to our Clients.

## D. Methods of Analysis, Investment Strategies and Risk of Loss

### Methods of Analysis and Investment Strategies

For the Sub-Advisory Accounts, each Third-Party Sub-Adviser will use such methods of analysis as the Third-Party Sub-Adviser believes are appropriate for the applicable investment strategy and as disclosed in the respective Third-Party Sub-Adviser's Form ADV Part 2A.

For JIA Discretionary Accounts, JIA Nondiscretionary Accounts, and investments in a UMA sleeve managed directly by JIA, the applicable JIA Representative may use one or more sources of research and other information on which to base investment recommendations. These sources may include, but are not limited to, financial newspapers and magazines, market data services, company press releases, and research materials prepared by third parties, including by Jefferies. It should be noted that Jefferies research analysts, when preparing research reports, are not aware of or influenced by our Clients' investment goals or risk tolerance. Jefferies research analysts are not our employees, and do not participate in making investment recommendations for JIA Discretionary Accounts, JIA Nondiscretionary Accounts or UMA sleeves managed directly by JIA.

Each Third-Party Sub-Adviser and each JIA Representative, as applicable, will advise or manage the assets in each Account it manages or advises, and, in making investment decisions or recommendations, generally will not consider any assets that the Client owns outside of such Account except as disclosed in the Client Profile.

Investments in securities and other instruments involve risk and will not always be profitable. Neither we, nor any JIA Representative or Third-Party Sub-Adviser guarantees the results of any advice or recommendation, or that the investment goals of a Client's Accounts will be met. Whether a certain type of Account is suitable for a Client depends upon a number of factors, including the size of the Client's Account, the amount of trading expected in the Client Account, the particular investment goals and risk tolerance of the Client and the Account Fees charged.

### Risk of Loss

The investment strategies used to manage an Account may cover a wide range of investment types. Certain risks applicable to the Accounts are described below. For Sub-Advisory Accounts, risk factors specific to the applicable Third-Party Sub-Adviser's investment strategy are described in the Third-Party Sub-Adviser's Form ADV Part 2A.

**Risks Associated with Securities Investments Generally.** Investing in securities involves a variety of risks, including the loss of capital. The securities markets generally are affected by, among other things, the state of the economy, inflation rates and unemployment, trade, fiscal and monetary policies, and national and international political and economic events.

**Risks Associated with Particular Investment Strategies.** The investment strategies and trading techniques used in respect of an Account may not be successful, and there can be no assurance that any Client's Account will generate profits or avoid losses.

**Institutional Risk.** The institutions, including brokerage firms and banks, with which Accounts trade or invest, may encounter financial difficulties that impair the operational capabilities or the capital position of such Accounts. Institutions performing services for Accounts or relating to a strategy's trading activity may encounter financial difficulties that impair their operational capabilities. In such event, there is a risk that Accounts in the strategy could be faced with trading or settlement delays and/or portfolio losses.

**Non-U.S. Investment Risk.** Investments in non-U.S. securities may experience additional risks compared to investments in U.S. securities. The markets in many foreign countries are relatively small, with a limited number of issuers and securities. Furthermore, foreign taxes also could detract from performance. Companies based in non-U.S. countries may not be subject to accounting, auditing and financial reporting standards and practices as stringent as those in the U.S. Therefore,

their financial reports may present an incomplete, untimely, or misleading picture of a non-U.S. company, as compared to the financial reports of U.S. companies. Nationalization, expropriations or confiscatory taxation, currency blockage, political changes or diplomatic developments can cause the value of an Account's investments in a non-U.S. country to decline. In the event of nationalization, expropriation or other confiscation, an Account could lose its entire investment in that country.

**Emerging Markets Risk.** To the extent that an Account invests in securities of issuers located in emerging markets, the risks associated with non-U.S. securities may be heightened by political changes, changes in taxation or currency controls that could adversely affect the values of these investments. Emerging markets have been more volatile than the markets of developed countries with more mature economies.

**Foreign Government/Sovereign Debt Risk.** Investment in the debt of foreign governments can involve a high degree of risk. The governmental or non-U.S. sovereign issuer that controls the repayment of debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. An issuer's willingness or ability to repay the principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole and the political constraints to which a governmental entity may be subject. Governmental entities also may be dependent on expected disbursements from other foreign governments, multilateral agencies, and others abroad to reduce the principal and interest due on their debt.

**Currency Risk.** The risk that fluctuations in exchange rates between the U.S. dollar and non-U.S. currencies may cause the value of an Account's non-U.S. investments to decline in terms of U.S. dollars. Additionally, certain of an Account's foreign currency transactions may give rise to ordinary income or loss to the extent such income or loss results from fluctuations in the value of the foreign currency. Accounts that may invest in securities denominated in, or which receive revenues in, non-U.S. currencies are subject to this risk.

**Performance May Be Adversely Affected by Increased Assets Under Management.** The success achieved by trading advisers or managers often diminishes as the assets under their management increases. No Third-Party Sub-Adviser or JIA Representative has agreed to limit the amount of assets they will manage.

**Potential Inability to Trade or Report Due to Systems Failure.** Efficient management of the Accounts may be dependent to a significant degree on the proper functioning of internal and external computer systems. Accordingly, systems failures, whether due to third party failures upon which such systems are dependent or the failure of our hardware or software, could disrupt trading or make trading impossible until such failure is remedied. Any such failure, and consequential inability to trade (even for a short time), could, in certain market conditions, cause the Accounts to experience significant trading losses or to miss opportunities for profitable trading.

**Dependence Upon a Limited Group of Investment Professionals.** The strategies implemented on behalf of the Accounts are substantially dependent upon the skill, judgment, and expertise of a very limited group of our investment professionals. The death, disability, or other unavailability of one or more investment professionals at a Sub-Adviser or JIA Representatives could be material and adverse to the value of the Accounts they manage.

**Competition.** In recent years there has been a marked increase in the number of, and flow of capital into, investment vehicles established in order to implement alternative asset investment strategies, including commodity strategies and the strategies similar to the strategies implemented by us. While the precise effect cannot be determined, such increase may result in increased price volatility or reduced profitability with respect to certain positions. Prospective investors should understand that we may compete with other investment vehicles and programs, as well as investment and commercial banking firms, which have substantially greater resources, in terms of financial wherewithal and research staffs, than may be available to us and the Accounts.

**Equity Risks.** Equity securities may decline significantly in price over short or extended periods of time. Price changes may occur in the market as a whole, or they may occur in only a particular country, company, industry, or sector of the market. In addition, the types of stocks in which a particular Account invests, such as value stocks, growth stocks, large - capitalization stocks, mid-capitalization stocks, small-capitalization stocks and/or micro-capitalization stocks, may underperform the market as a whole. In addition, growth stocks can be more volatile than other types of stocks. Value stocks can continue to be undervalued by the market for long periods of time. Additionally, dividends paid on common stocks can vary significantly over the short-term and long-term. Dividends on common stocks are not fixed, but are declared at the discretion of an issuer's board of directors. There is no guarantee that the issuers of common stocks in which an Account invests will declare dividends in the future, or that if declared they will remain at current levels or increase over time.

**Small- to Mid-Capitalization Companies Risk.** Companies with small- to mid-sized market capitalizations may lack the management expertise, financial resources, product diversification, and competitive strengths of larger companies. In addition, the frequency and volume of their trading may be less than is typical of larger companies, making them subject to wider price fluctuations. In some cases, there could be difficulties in selling the stocks of small-cap companies at the desired time and price. Mid-cap companies may have limited product lines, markets or financial resources, and they may be dependent on a limited management group. Securities of small-cap and mid-cap companies may be subject to more abrupt or erratic market movements than those of large, more established companies or the market averages in general.

**Fixed Income Securities.** Certain Accounts are expected to invest in fixed income securities and instruments. Certain of the fixed income instruments in which the Accounts invest may be unrated, and whether or not rated, the fixed income instrument may have speculative characteristics. The issuers of such instruments may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal. In addition, an economic recession could severely disrupt the market for these securities and may have an adverse impact on the value of such instruments. It is also likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities. The value of fixed income investments typically decline as interest rates rise. Inflation erodes the real value of interest payments.

**Risks Associated with ETPs.** ETPs include securities such as ETNs. Depending on the investment goal and investment strategy of a particular ETP: (i) the investment adviser may not achieve the ETP's investment goal or be able to cause the ETP's performance to match that of the ETP's underlying index or other benchmark on either a daily or aggregate basis; (ii) ETPs maybe offered at a discount to the value of the underlying holdings; (iii) although an ETP's shares are listed on a national securities exchange, there can be no assurance that an active trading market for the ETP's shares will develop or be maintained; (iv) ETPs that are non-diversified may invest in the securities of a limited number of issuers or concentrated in a particular market, country, industry, sector or asset class and may be more susceptible to adverse economic, market, political or regulatory occurrences; and (v) ETPs are subject to the risk that changes in an issuer's management performance, financial condition and the supply and demand for the issuer's products or services may adversely affect the value of the securities held by an ETP.

In addition, the value of commodity-linked ETPs may be affected by changes in overall market movements, commodity index volatility as well as changes in interest rates or sectors affecting a particular industry or commodity, such as weather, embargoes, tariffs and international economic, political and regulatory developments. A commodity-linked ETP may compete with other financial investments, including traditional debt and equity securities issued by companies in the commodity's particular industry and other securities backed by or linked to the particular commodity, direct investments in the commodity and investment vehicles similar to an ETP. Market and financial conditions, and other conditions beyond the ETP portfolio manager's control may make it more attractive to invest in other financial vehicles or to invest in such commodity directly, which could limit the market for the ETP shares and reduce the liquidity of the ETP shares. If the commodity ETP is physically backed, such as with gold or silver, there is a risk that some or all of the ETF's supply of the stored commodity could be lost, damaged or stolen. Access to the stored commodity could also be restricted by natural

events (such as an earthquake) or human actions (such as a terrorist attack). Any of these events may adversely affect the operations of the ETP and, consequently, an investment in its shares. The ETP may not have adequate sources of recovery if its physical commodity is lost, damaged, stolen or destroyed and recovery may be limited, even in the event of fraud, to the market value of the commodity at the time the fraud is discovered. ETNs are senior, unsecured, unsubordinated debt securities issued by an underwriting bank. Similar to other debt securities, ETNs have a maturity date and are backed only by the credit of the issuer. When an investor buys an ETN, the underwriting bank promises to pay the amount reflected in the index, minus fees upon maturity. Thus, an ETN has an additional risk compared to an ETF: upon any reduction of credit ratings, or if the underwriting bank goes bankrupt, the value of the ETN is adversely eroded and an investor can lose all or most of their investment.

**Risks Associated with Derivative Instruments.** The Accounts may be invested in derivatives for speculative as well as hedging purposes. Derivatives may be defined as financial instruments (such as call options, put options, futures contracts and options on futures contracts) whose performance is derived, at least in part, from the performance of another asset (such as a security, currency or an index of securities). Investments in such instruments involve risks that are different from the investment risks associated with long investments, including a potentially unlimited loss associated with futures transactions, which, in the case of futures contracts, involve agreements to take or make delivery of an amount of cash equal to a specified dollar amount multiplied by the difference between the value of the underlying asset (such as a stock index) at the close of trading of the contract and the price at which the futures contract was originally struck. Derivatives may be exchange traded or traded in OTC transactions between private parties. OTC transactions are subject to additional risks, such as the credit risk of the counterparty to the instrument, and are less liquid than exchange-traded derivatives since they can only be closed out with the other party to the transaction. Derivative instruments may include elements of leverage and, accordingly, the fluctuation of the value of the derivative instrument in relation to the underlying asset may be magnified. The successful use of derivatives is dependent upon a variety of factors, including, in particular, the ability to correctly anticipate trends in the underlying asset. In addition, there may be an imperfect correlation between a derivative transaction and the objective sought to be achieved in entering into such transaction. Moreover, in unusual market conditions, the derivative may perform in a manner that was not, and could not have been, anticipated.

The Accounts may invest in structured notes, a type of derivative debt instrument. The terms of the instrument may be determined or "structured" by the purchaser and the issuer of the note. Payments of principal or interest on these notes may be linked to the value of an index (such as a currency or securities index), one or more securities, a commodity, or the financial performance of one or more obligors. The value of these notes will normally rise or fall in response to the changes in the performance of the underlying security, index, commodity, or obligor. Structured notes are subject to interstate risk. They are also subject to credit risk with respect both to the issuer and, if applicable, to the underlying security obligor. If the underlying investment or index does not perform as anticipated, the structured note might pay less interest than the stated coupon payment or repay less principal upon maturity. The price of structured notes may be very volatile, and they may have a limited trading market, making it difficult to value them or sell them at an acceptable price. In some cases, the Fund may enter into agreements with an issuer of structured notes to purchase a minimum amount of those notes over time.

**Short Sales.** Short selling, or the sale of securities not owned by the Client, necessarily involves certain additional risks. Such transactions expose the Client to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the Client might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

**Risks Associated with Investments in Funds.** A Client may purchase shares or other interests in Funds for his or her Account, including Funds managed or sponsored by an affiliate of Jefferies ("Affiliated Funds"). These Funds (such as mutual funds and ETFs) generally are used for various purposes, including, but not limited to, obtaining liquidity and greater

diversification, as compared to investments in individual securities. However, the investment strategies and trading techniques employed by a Fund may not be successful and a Fund may not achieve its investment objective. There can be no assurance that any Client's Account will generate profits or avoid losses with respect to an investment in a Fund. Clients are not permitted to engage in market timing of Funds through their Accounts. For certain investments, such as mutual funds or Alternative Investment Funds, Clients will receive Offering Materials relating to such investments. Clients should read these documents carefully because they contain important information about the risks, liquidity, fees and expenses, conflicts of interest and other material considerations associated with those investments. Clients must carefully review the Offering Materials for any particular Fund and consider their ability to bear these risks before making any decision to invest.

**Risks Associated with Money Market Funds.** Money market funds may increase or decrease in value and are not insured or guaranteed by the FDIC or any other government agency, and there can be no assurance that such funds will be able to maintain a stable net asset value of one dollar per share. The price of other money market funds will fluctuate and when shares are sold, the shares could be worth more or less than originally paid. Money market funds may impose a fee upon sale or temporarily suspend sales if liquidity falls below the required minimums. There may be circumstances where money market funds cease operations if the value of a fund drops below one dollar per share. In that event, a money market fund's holdings may be liquidated and distributed to the fund's shareholders. The liquidation process can last for months and during this time, funds would not be available for purchases or for withdrawals.

**Fund Expenses.** When a Client invests in a Fund, the Client will pay his or her proportionate share of such Fund's fees and expenses including, but not limited to, management fees and performance-based compensation paid to the Fund's investment managers or their affiliates, fees payable to the Fund's professional and other service providers, transaction costs and other operating costs and, in the case of certain Registered Funds, Rule 12b-1 fees (all of which may be material). You should expect that, in certain cases, these fees and expenses will be payable to Jefferies or an affiliate. The Offering Materials for each Fund in which a Client invests will describe the Fund's fees and expenses in detail. These fees and expenses represent the Fund's costs for services provided to the Fund by its service providers. Certain Accounts may receive a credit for these Fund fees and expenses in their Account, to the extent required by law.

**Alternative Investment Funds.** For Clients who may want to consider alternative investment Funds as part of a diversified portfolio, careful consideration should be given to the associated risks of these investments. Alternative Investment Funds, in general, are speculative and illiquid investments that are subject to a high degree of risk. Clients may be permitted to invest in certain Alternative Investment Funds through their JIA Nondiscretionary Account if they meet applicable eligibility and suitability requirements. Only pre-qualified Clients may receive an Alternative Investment Fund's confidential Offering Materials. However, pre-qualification does not imply that investing in one or more Alternative Investment Funds is suitable for any particular Client or that an Alternative Investment Fund will accept a Client's subscription. Alternative Investment Funds may be a suitable investment, if at all, only for financially sophisticated investors capable of evaluating the merits and risks of such an investment and whose aggregate investments in Alternative Investment Funds do not represent more than a limited portion of their overall investment portfolio.

Prior to investing in an Alternative Investment Fund, Clients must complete the Alternative Investment Fund's subscription documents, which, among other things, require a Client to represent that he or she has read and understood the Offering Materials of the Alternative Investment Fund. Each Alternative Investment Fund's Offering Materials contain confidential material information relevant to making a decision to subscribe to the Fund including, but not limited to, the Fund's investment strategy, liquidity terms, fees and expenses, risks and conflicts of interest, as well as other important matters relating to the Fund, its investment manager and their operations. Clients should read these documents carefully in determining whether an investment in the Fund is suitable for them in light of, among other things, their financial situation, need for liquidity, tax situation and other investments.

You should expect that, to the extent permitted by applicable law and except as otherwise agreed, we or our affiliates will receive all or a portion of the placement agent fees paid in connection with Client investments in Alternative Investment

Funds, which fees can vary from one Alternative Investment Fund to another. These fees give rise to a conflict of interest in determining which Alternative Investment Funds to recommend to Clients.

Clients are not required to invest in Alternative Investment Funds through their Account. In certain cases, it may be more economical for a Client to invest in Alternative Investment Funds through a brokerage account, rather than investing through an Account. However, if a Client invests in Alternative Investment Funds through a brokerage account, that account will not have access to the additional features and benefits of the fee based Nondiscretionary Advisory Accounts. Clients should consult with their JIA Representative as to whether it may be more economical to invest in Alternative Investment Funds through a different type of account.

**COVID-19.** The recent global outbreak of the novel coronavirus (COVID -19) is currently creating unprecedented economic and social uncertainty throughout the world. The ultimate impact of the COVID 19 outbreak is difficult to predict, but it is likely that COVID-19 will have a materially adverse impact on global, national and local economies in the immediate future and that such negative impact is likely to persist for some time. In particular, disruptions to commercial activity across economies due to the imposition of quarantines, remote working policies, “social distancing” practices and travel restrictions, and/or failures to contain the outbreak despite these measures, could materially and adversely impact investments. While there are indications of various governmental responses to the potential negative effects of COVID -19, it is unclear how effective these responses will be and what other impacts such responses may have on the overall performance of markets.

**Climate Change Risks.** Extreme weather patterns related to climate change could adversely affect the input and output commodities associated with certain energy sources, including solar, wind and other renewable sources. These events could result in significant volatility in the supply and prices of energy. This volatility may create fluctuations in commodity or energy prices and earnings of companies in the energy sectors. In addition, energy companies (particularly carbon -based fuel producers) have at times been the subject of negative publicity, most recently in the context of the dialogue regarding climate change. Negative publicity of this nature may make legislators, regulators and courts less likely to take a favorable view of energy companies in general, which could cause them to make decisions or take actions that are adverse to energy companies. Such legislation and increased regulation regarding climate change, whether at the federal, state or local level, could impose significant costs on energy companies and their suppliers, including costs related to capital equipment, environmental monitoring and reporting and other compliance costs.

## E. Voting Client Securities

Each Client with a Sub-Advisory Account agrees in their Client Agreement that the Third-Party Sub-Adviser for each Sub-Advisory Account will exercise its discretion in voting or otherwise acting on all matters for which a security holder vote, consent, election or similar corporate action (such as a tender offer or rights offering) is solicited by, or with respect to, issuers of securities beneficially held as part of the Account Assets, unless otherwise agreed with the Client. The Third-Party Sub-Adviser will vote proxies relating to the securities and other property held in the applicable Account in accordance with proxy voting guidelines that the Third-Party Sub-Adviser may establish. A copy of each Third-Party Sub-Adviser's proxy voting policy is available upon request. The Client Agreement provides that each Client may expressly reserve the right to directly receive proxy-related materials and vote their own proxies or specify that another person receive proxy-related materials and vote proxies on the Client's behalf for the securities in the Account.

Clients with JIA Discretionary Accounts, JIA Nondiscretionary Accounts , and Unified Managed Accounts (to the extent that there is a sleeve of the UMA managed directly by JIA) are responsible for voting proxies for securities held in such Accounts. The custodian will forward copies of related proxies and shareholder communications to the Client.

Barring agreement to the contrary, neither we nor any Third-Party Sub-Adviser nor the JIA Representatives will be obligated to render advice or take any action on any Client's behalf regarding securities currently or formerly held in an Account or the

issuers thereof that become the subject of any legal proceedings, including bankruptcies and class actions. The custodian, after receiving notices of any such proceedings, will forward such notices to the applicable Client to the extent required under the custodian's agreement with the Client.

## **ITEM VII. Client Information Provided to Portfolio Managers**

### **A. Initial and Supplemental Client Information**

Each Client is responsible for providing us with accurate and complete information. Failure to do so could affect the suitability of our recommendations as to an appropriate Account and/or investment strategy and, in the case of JIA Discretionary Accounts, the management of the Client's Accounts.

At the opening of an Account, the JIA Representative responsible for handling the Account must obtain information from the Client regarding the Client's investment goals, financial situation and risk tolerance, and give the Client the opportunity to impose reasonable restrictions on the management of such Account.

At least annually, the JIA Representative responsible for handling an Account will contact the Client to determine whether there have been any changes in the Client's investment goals, financial situation or risk tolerance and determine whether the Client wishes to request any reasonable restrictions on the management of such Account or reasonably modify existing restrictions. If so, the JIA Representative will provide such information to our supervisor for JIA Representatives, update the Client Profile and provide a copy of such updated Client Profile to our supervisor for JIA Representative s and the Third-Party Sub-Adviser and/or JIA Representative responsible for managing the Account.

### **B. Client Information Provided to Third Party Sub-Advisers and JIA Representatives**

For each Sub-Advisory Account, JIA, and the Carrying Broker share Clients' personal identification, account, and holdings data with the third-party service provider (i.e., Envestnet), and the third-party service provider may share this information with third-party SMA and/or Model Sub-Managers as needed.

Information contained in the Client Agreement and Client Profile are shared with the Sub-Adviser to the extent necessary, and when, requested by the Sub-Adviser.

Because each Client's JIA Representative works with the Client to determine which Account is appropriate for the Client and to complete the Client Profile, the JIA Representative has access to all information we have about the Client.

## **ITEM VIII. Client Contact with Portfolio Managers**

JIA Representatives on an ongoing basis communicate with their Client. If a Client has a Sub-Advisory Account, the Client may communicate directly with the Third-Party Sub-Adviser of the Account, although we encourage our Clients to facilitate such communications through their JIA Representatives.

## **ITEM IX. Additional Information**

### **A. Disciplinary Information**

We are a wholly owned subsidiary of Jefferies Financial Group LLC as described above. Jefferies Financial Group LLC controls numerous operating companies including ourselves and Jefferies, as well as various other U.S. and foreign regulated financial institutions. Many aspects of these businesses involve substantial risks of liability. We and our affiliates are involved in a number of judicial and regulatory matters arising out of the conduct of these businesses. Based on currently available information, neither we nor our management have been involved in any legal or disciplinary events that would be material to a Client's evaluation of us or the integrity of our management.

## B. Other Financial Industry Activities and Affiliations

### Material Financial Industry Affiliations

Our executive officers and JIA Representatives serve in various capacities for Jefferies, an affiliated broker-dealer.

By reason of the advisory, investment banking, and/or other activities of our affiliates, we and our affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. We will not be free to divulge, or to act upon, any such confidential or material non-public information and, due to these restrictions, we may not be able to initiate a transaction for a JIA Discretionary Account that we otherwise might have initiated, or may not be able to recommend a transaction for a JIA Nondiscretionary Account that we otherwise might have recommended. As a result, a JIA Discretionary Account or JIA Nondiscretionary Account may be frozen in an investment position that it otherwise might have liquidated or closed out.

Certain of our affiliates are investment advisers whose businesses have no material relationship to our business .

### Potential Conflicts of Interest

In addition to the specific potential conflicts of interest discussed throughout this Brochure, we are subject to the potential conflicts of interest described below.

**Compensation.** We could receive substantial compensation in the form of Account Fees, even from Accounts that lose value. Such Account Fees may exceed the fees that a Client might pay if the Client paid for services separately rather than as part of an Account.

**Advisory Time.** We devote as much of our time to each of our Clients as in our judgment is reasonably required. However, we also provide investment advisory services, securities research and brokerage services for other Clients and engage in other business ventures in which the Account Clients have no interest. As a result of these separate business activities, we may have conflicts of interest in allocating management time, services, and functions among the Accounts and other business ventures or Clients.

**Other Clients; Allocation of Investment Opportunities.** We are responsible for the investment decisions made on behalf of JIA Discretionary Accounts. As described above, there are no restrictions on our ability to manage any number of Clients following the same or different investment goals, philosophies, and strategies. As a general matter, it would not be expected that Accounts with different JIA Representatives or Third-Party Sub-Advisers would share information relating to potential transactions. Therefore, one Account may trade prior to and at a better price than another Account trading in the same instrument.

**General.** We could, without prior notice to a Client, arrange, recommend, and/or effect transactions in which, or provide services in circumstances where, we have, directly or indirectly, a material interest or relationship with another party that presents a potential conflict with our duty to a Client.

## C. Brokerage Practices

### Selection of Brokers

In the case of the Sub-Advisory Accounts, all trades directed by a Third-Party Sub-Adviser will be executed through the Carrying Broker unless the applicable Third-Party Sub-Adviser, in its sole discretion, executes the trades through another broker-dealer that the Third-Party Sub-Adviser believes may provide better execution. As described above, all trades executed in a JIA Discretionary Account or a JIA Nondiscretionary Account and any securities in a UMA sleeve managed directly by JIA will be executed by Jefferies, an affiliated broker-dealer, or by the Carrying Broker. Executing trades through Jefferies, an affiliated broker-dealer or through the Carrying Broker may result in less advantageous execution, including less favorable net prices than might be the case if a third-party broker or dealer were selected to execute such transactions.

JIA Representatives also serve as representatives of Jefferies and may receive fees or commissions when certain products a JIA Representative recommends are purchased for an Account. Any commission or asset-based fee charged by Jefferies will be paid directly to Jefferies and not to us. Jefferies may act as principal with respect to trades placed on behalf of the Accounts only with the applicable Client's consent. Jefferies may act as broker for the Client and for another Jefferies client on the other side of the trade (an "agency cross trade"). Some or all executions for the Accounts may be aggregated with executions effected for our other Clients as well as clients of Jefferies, the Carrying Broker, or a Third-Party Sub-Adviser as applicable, and the Accounts will receive an average price for these executions. Where Jefferies is the executing broker, the Jefferies confirmation for such transactions will reference an average price execution and such details will be furnished on request. Jefferies may receive compensation from certain third-party broker-dealers or market centers for directing order flow in options and National Market System ("NMS") securities. For securities, payment is on a per share basis; for options, payment is on a per contract basis. The market centers that pay for order flow are selected based upon the opportunity they provide for execution of orders at prices better than the National Best Bid or National Best Offer. Absent specific order routing instructions from customers and regardless of whether payment for order flow is received, Jefferies, when acting as executing broker for the Accounts, transmits customer orders for execution to various exchanges and other market centers based on a number of factors, including: the ability of a market center to execute the orders at or superior to the National Best Bid and National Best Offer, the ability of a market center to provide price improvement opportunities, the speed of execution, the availability of efficient, automated transaction processing, liquidity enhancement opportunities, the speed of displaying better-priced limit orders, trading characteristics of the particular securities and the extent to which different markets may be more suitable for different types of orders or different securities. To the extent permitted by applicable law, all such compensation will be retained by Jefferies and is not shared with our Clients.

We do not take into account Client referrals when recommending or selecting brokers. If a Third-Party Sub-Adviser takes such matters into account when selecting brokers, it should disclose that practice in its Form ADV Part 2A.

We do not permit Clients to direct us to use particular brokers.

### **Soft Dollars**

Section 28(e) the Securities Exchange Act of 1934 provides that an investment adviser or other fiduciary will not be deemed to have violated any law or fiduciary duty by causing its client accounts to pay broker-dealer commissions for effecting securities transactions in excess of what other broker-dealers would have charged if the fiduciary determines in good faith that the amount of commissions paid to the broker-dealer was reasonable in relation to the value of brokerage and research services provided by the broker-dealer, whether based on the particular transactions or the fiduciary's responsibilities for all accounts over which it has investment discretion ("soft dollar benefits").

Jefferies has entered into arrangements with the Carrying Broker under which Jefferies (including JIA Representatives and therefore JIA indirectly) is eligible to receive, and you should expect will receive soft dollar benefits (such as proprietary and third-party research services other than execution services) from the Carrying Broker, at no cost or discounted cost. When this occurs, Jefferies (and indirectly JIA) benefits because Jefferies (and JIA) does not need to produce or pay (or pay as much) for the research services. This gives Jefferies (and indirectly JIA) an incentive to agree to higher Pershing commissions (as defined in Section 28(e)) on transactions effected by or through the Carrying Broker and other fees that are charged to Jefferies customers (including JIA Clients). This also gives JIA an incentive to increase the Account Fee that Clients pay and any compensation JIA provides to Jefferies in connection with Jefferies acting as introducing broker for JIA client accounts and transactions. JIA does not seek to allocate soft dollar benefits to client accounts in proportion to the soft dollar credits the client accounts generate. That means that you should expect that JIA uses soft dollar benefits for accounts of Clients who do not pay for them, and that client accounts will generate soft dollar credits through higher commissions on their transactions even though the research services obtained through those soft dollar credits are not used in the management of those Clients' accounts.

With respect to the Sub-Advisory Accounts, Third-Party Sub-Advisers may receive soft dollar benefits, and Clients should refer to the respective Third-Party Sub-Adviser's Form ADV Part 2A for disclosure of the Third-Party Sub-Adviser's practices and the conflicts of interest they create. We will monitor on a periodic basis the soft dollar Third-Party practices of Third-Party Sub-Advisers trading on behalf of Client Accounts using a method which requests information from the Third-Party Sub-Adviser. Alternatively, we may delegate this monitoring function to a third party (e.g., Envestnet), in which case we will periodically evaluate such third party's monitoring process.

### **Allocation and Aggregation**

If, as investment adviser, we are purchasing or selling the same securities for several JIA Discretionary Accounts or UMA sleeves managed directly by JIA at approximately the same time, we may, to the extent practicable and permitted by law, combine or "batch" such orders to obtain best execution, or to allocate equitably among our Clients' differences in prices or other transaction costs that might have pertained had such orders been placed independently. In these circumstances, the price and associated costs of such transactions will be averaged and allocated among our Clients in proportion to the purchase and sale of orders placed for each Client's Account(s) on any given day.

### **Trade Errors**

In the event a trade is entered in error in a JIA Discretionary Account, a JIA Nondiscretionary Account or UMA sleeves managed directly by JIA, our investment advisory personnel will immediately notify the appropriate manager. The manager or his designee will research and correct the error. Any losses arising from trade errors in JIA Discretionary Accounts or JIA Nondiscretionary Accounts for which we are responsible will be borne by Jefferies and will not be charged to any such Account. This policy does not apply to Sub-Advisory Accounts. For Sub-Advisory Accounts, we will periodically evaluate our third-party administrator's monitoring process.

## **D. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

As evidence of our commitment to operating with integrity, we have adopted the Jefferies Investment Advisers LLC Code of Ethics (the "JIA Code"). The purpose of the JIA Code is to identify the ethical and legal framework in which we and our employees are required to operate, and to highlight some of the guiding principles and mechanisms for upholding our standard of business conduct.

As our personnel may be employed with or undertake functions on behalf of Jefferies or its subsidiaries, our personnel are also subject to the Code of Ethics of the Board of Directors of Jefferies Financial Group, Inc. (the "Jefferies Code"). The JIA Code may supplement (but not contradict) the Jefferies Code with policies and procedures applicable to our personnel. A complete copy of the JIA Code and Jefferies Code will be provided to Clients and prospective Clients upon request.

As a fiduciary, we and our employees have an affirmative duty to act with loyalty, honesty, impartiality and in the best interests of our Clients. Employees must not place their interests ahead of our Clients' interests under any circumstances. We make every effort to avoid conflicts of interest and fully disclose all material facts concerning any potential or actual conflicts of interest that arise with respect to any Client.

Among other things, the JIA Code also addresses certain aspects of personal trading. The JIA Code requires our employees to obtain pre-approval before acquiring any security in an initial public offering or in a private placement exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) thereof or pursuant to Rule 504, Rule 505, or Rule 506 thereunder. The JIA Code also requires our employees to arrange for us to receive periodic investment holdings reports.

In addition, our employees may not trade, either personally or on behalf of another, on material non-public information or communicate material non-public information to another person in violation of the law. We have implemented policies and procedures designed to detect and prevent insider trading.

### **Interested Transactions**

When appropriate, we or our affiliates recommend that our Clients buy or sell securities or investment products in which we, our officers, directors, affiliates, and representatives (together, "Related Persons") have a financial interest. For example, we or our Related Persons could recommend that Clients purchase, among other things, securities in which Jefferies makes a market or with respect to which Jefferies or its affiliates otherwise earn fees.

From time to time, we may recommend the following actions on behalf of JIA Discretionary Accounts or JIA Nondiscretionary Accounts and/or UMA sleeves managed directly by JIA (1) recommend the purchase and sale of securities in which we or Related Persons have an interest; (2) effect transactions through Related Persons including broker-dealers acting as agent for our Clients; and (3) recommend the purchase and sale of securities in which we, Related Persons or our other Client's Accounts are at the same time effecting a sale or purchase. We and/or our affiliates would receive compensation with respect to these transactions in addition to our compensation under our advisory agreements with our Clients. In any transaction with a Related Person, that Related Person could receive compensation.

We and our Related Persons may trade in the securities markets for their own accounts and the accounts of their Clients, and in doing so may take positions opposite to, or ahead of, those held by a Client or may be competing with a Client for positions in the marketplace. Such trading would result in competition for investment opportunities or create other conflicts of interest on behalf of one or more such persons in respect of their obligations to the Client. Records of this type of trading are not available for inspection by Clients. While we address these conflicts through disclosure in this Brochure, we also regularly monitor trading activity to ensure Clients are not routinely disadvantaged.

Our proprietary activities or portfolio strategies and those of our Related Persons or the activities or strategies we use for accounts managed for other customer accounts could conflict with the transactions and strategies employed by a Client and affect the prices and availability of the instruments in which the Client invests. Issuers of instruments held by the Client may have publicly or privately traded securities in which we and our Related Persons are investors or make a market. Our trading activities and those of our Related Persons generally may be carried out without reference to positions held directly or indirectly by any Client and may have an effect on the value of the positions so held or may result in us and our Related Persons having an interest in the issuer adverse to that of the Client. We evaluate our business activities and the actual and potential conflicts of interest that our activities may give rise to on an ongoing basis. To the extent such conflicts exist, we make every effort to disclose the existence and nature of such conflicts to our Clients or, if possible, to take action to avoid them.

### **Personal Securities Transactions**

In addition to the requirements of the JIA Code, all employees also must comply with the Jefferies Financial Group Inc. Employee Trading Policy. These policies and procedures cover all personal securities accounts. All personal securities transactions must be executed in accounts maintained at Jefferies's Wealth Management Group or at approved brokers, and pre-approved where required. Our pre-approval procedure and the submission of personal trading information assist us towards our goal of ensuring that no personal trading of any employee will disadvantage any Client Account.

## **E. Review of Accounts**

With respect to the Sub-Advisory Accounts, the Global Head of Investment and Wealth Solutions, or her designees, review the performance of each Third-Party Sub-Adviser on a periodic basis. A review will be triggered by the fall of the Third-Party Sub-Adviser's strategy into the fourth quartile of certain third-party rankings used by JIA. There is not a separate review of each Account. The Global Head of Investment and Wealth Solutions, or her designees, will also review individual Third-Party

Sub-Advisers upon the occurrence of certain events that we believe could have a material impact on the Third-Party Sub-Adviser's business, such as the loss of a principal, merger, or similar event. When reviewing the performance of Third-Party Sub-Advisory Accounts, we generally rely on the performance reports we obtain from the Third-Party Sub-Advisers and do not perform our own due diligence to confirm the accuracy of those reports. Moreover, as described above in Section IV, "Portfolio Manager Selection and Evaluation," different Third-Party Sub-Advisers may use different methodologies when calculating performance. Whether each Third-Party Sub-Adviser conducts its own review of the Accounts it manages is disclosed in the Sub-Adviser's Form ADV Part 2A.

With respect to JIA Discretionary Accounts, JIA Nondiscretionary Accounts and UMA sleeves managed directly by JIA, our sales manager or his designee reviews each Account on an ongoing basis, by reviewing various portfolio management characteristics, such as idle cash, diversification, concentration, etc. When reviewing the activity in these Accounts, the reviewer takes into consideration such matters as the Client's investment goals, risk tolerance and investment time horizon; the Client's age, annual income and net worth; and any evidence of inappropriate activity given these factors. Our sales manager or his designee also reviews the performance of each Account on a periodic basis and at least annually.

Clients will receive from the custodian periodic statements of Account activity reflecting the value of their Accounts at the beginning and end of the relevant period, and detailing all transaction activity, contributions and withdrawals, and fees charged. In addition, Clients will have access to the Carrying Broker's web-based information and reporting system, which provides access to our third-party administrator's consolidated performance reporting of their Accounts and, upon request, other brokerage accounts that the Client may maintain with the custodian. Reports include quarterly statements and interim statements containing asset summaries and performance reporting against relevant comparative indexes. We provide quarterly reports to Clients, unless otherwise instructed by the Client. These reports contain information required by the Client Agreement and include the Account's market value, transaction reports and portfolio holdings. Clients in all Accounts also will receive statements at the end of each calendar year from the custodian providing necessary tax reporting information relating to their Accounts. It is the Clients' responsibility to review all such statements and to promptly report any discrepancies to Jefferies and the custodian. Clients will receive trade confirmations with respect to any trading activity in their Account(s) unless a Client elects to receive monthly account statements instead. Clients may later request to start receiving trade confirmations instead of monthly account statements by providing written notice to their JIA representative.

For JIA Nondiscretionary Accounts, performance reports will include all JIA Nondiscretionary Account Assets, including positions held away. Any such information is provided solely for the benefit of the Client and is not intended to serve as an official statement of pertinent information related to such assets. All official statements and reports concerning positions held away will be the responsibility of the Client's custodian or the other third-party responsible for providing such information to Client. Jefferies makes no representation whatsoever to Clients concerning the accuracy of this information, and, in particular, the accuracy of the valuations reflected for these positions and a Client's ability to liquidate them or obtain the stated values upon liquidation.

## **F. Client Referrals and Other Compensation**

We and our affiliates receive certain economic benefits for providing investment advice or other advisory services to advisory Clients as described in Section II above, "Services, Fees and Compensation – Fees and Other Compensation – Additional Compensation We Receive." Neither we nor our Related Persons directly or indirectly compensate any person for advisory Client referrals.

## **G. Financial Information**

We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to Clients and we have not been the subject of a bankruptcy proceeding. We do not require payment of more than \$1,200.00 in fees per Client, six months or more in advance.

## Your Privacy is Important to Us

At Jefferies Investment Advisers LLC ("JIA"), we understand that our relationship with you is based on trust. This is reflected in everything we do including the way we handle our clients' nonpublic personal information. The following disclosure explains what personal information we collect, what we do with that information and the steps we have put in place to protect the nonpublic personal information you have entrusted to us.

### Information We Collect

From time to time, we gain access to your personal information through:

- Our interaction with you on the telephone, in person or through e-mail;
- Account Applications or other forms you complete;
- Transactions in your accounts or on your behalf;
- Our website or the websites of our affiliated companies;
- Information tools we may make available to you; and
- Third parties with whom we deal, such as consumer-reporting agencies, to verify information we receive from you and your credit worthiness.

It is our policy to:

- Protect the confidentiality of Social Security numbers that we collect in the course of our business;
- Prohibit the unlawful disclosure of such Social Security numbers; and
- Limit access to such Social Security numbers.

### Information We Disclose

It is JIA's policy not to disclose any of your nonpublic personal information to third parties without your consent, unless those parties are providing services or support to us and have agreed to keep your nonpublic personal information confidential.

Examples of these parties include the company we use to prepare and mail your account statements or to perform our internal auditing. Even if you cease to transact business with JIA, we will continue to apply the same protections to your nonpublic personal information as we did when you were an active client.

### The Jefferies Family of Companies

JIA is a member of a family of related companies which are owned in whole or in part by Jefferies Financial Group Inc. These affiliated companies allow us to provide greater value to our clients. In the course of our business, employees or representatives of various Jefferies affiliates will have access to your nonpublic personal information. They have agreed to hold your information confidential and to comply with the privacy policy established by JIA.

### Protecting Your Information

JIA protects your nonpublic information from access by third parties by maintaining physical, electronic and procedural safeguards. We limit access to your information to those employees who are trained in the proper handling of nonpublic client information and who need access to the information to perform their job functions. For more information, to find out what personal information of yours we have collected, or to update your personal information, please contact the Privacy Officer at JIA, at [JIA\\_Privacy-Officer@jefferies.com](mailto:JIA_Privacy-Officer@jefferies.com) or 212-284-1777.

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