

# FIRM BROCHURE

(Part 2A of Form ADV)

June 30, 2020

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### **Item 1: Cover Page**

Part 2A of Form ADV (the “Brochure”) provides information about the qualifications and business practices of Alethea Capital Management, LLC (hereinafter referred to as “us,” “we,” or “our”), an investment adviser registered with the United States Securities and Exchange Commission (“SEC”). Registration does not imply a certain level of skill or training but only indicates that we have registered our business with state and federal regulatory authorities, including the SEC. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

If you have any questions about the contents of this Brochure, please contact us at (858) 926-2058 and/or [info@aletheallc.com](mailto:info@aletheallc.com). Additional information about our firm is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Material Changes**

There were no material changes since the last annual update of this Brochure.

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**Item 4: Advisory Business**

We are an investment adviser that provides financial planning, consulting, and investment management services. Prior to engagement of providing any of the foregoing investment advisory services, clients are required to enter into one or more written agreements setting forth the terms and conditions under which we render our services, which includes the Discretionary Investment Management Agreement (“DIMA”). Neither party may assign an agreement without the consent of the other party. A transaction that does not result in a change of actual control or management of our firm is not considered an assignment.

We began our business operations in March of 2011. Tony Hsu is the principal owner of the firm. As of December 31, 2019, we had \$300,150,085 of regulatory assets under management, all of which were managed on a discretionary basis.

This Brochure describes the business of our firm. Certain sections will also describe the activities of one or more supervised persons. Supervised persons are any of our officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other persons who provide investment advice on our behalf and is subject to our supervision or control.

**Investment Management Services**

Clients can engage us to manage all or a portion of their assets on a discretionary basis. Our investment management services typically include a broad range of comprehensive financial planning services. We primarily allocate client assets among mutual funds, exchange-traded funds (“ETFs”), individual debt and equity securities and/or options in accordance with the clients’ investment objectives. Additionally, we may recommend to clients, who are properly qualified, investment in private placement securities, which may include debt, equity, and/or pooled investment vehicles when consistent with the clients’ investment objectives. Additionally, we provide advice about any type of investment held in client accounts.

We may also render non-discretionary investment management services to clients relative to variable life/annuity products they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client’s primary custodian. In so doing, we either direct or recommend the allocation of client assets among various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

We tailor our advisory services to the individual needs of each client. We consult with the client initially and on an ongoing basis to determine their risk tolerance, time horizon and other factors that may impact their investment needs and ensure that their investments are suitable for those investment needs, goals, objectives and risk tolerance. Client assets are typically invested based on one or more of our investment strategies. Therefore, many of the holdings in client accounts will be similar.

Clients are advised to promptly notify us if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon our management services.

**Affiliated Private Funds**

We serve as the General Partner to the following affiliated private pooled investment vehicles (collectively, “Private Funds”): ALETHEA BIOTECH FUND, LP; ALETHEA BIOTECH FUND II, LP; ALETHEA MEDTECH FUND, LP; ALETHEA FULCRUM FUND, LP.

Interests in Private Funds are offered pursuant to Regulation D under the Securities Act of 1933, as amended. The Private Funds currently rely on an exemption from registration under the Investment Company Act of 1940, as amended. To the extent certain clients who qualify, they will be eligible to participate as investors in one or more of the Private Funds. Investments in Private Funds involves a significant degree of risk. All relevant information,

terms and conditions relative to the Private Fund, including compensation we receive, suitability, risk factors, and potential conflicts of interest, are set forth in a confidential private offering memorandum, limited partnership agreement, and/or subscription agreement, which each investor is required to receive and/or execute prior to investing in the Private Fund. While Private Funds are generally considered to be clients, “clients” may also refer to the individual pooled investors in the Private Fund.

We devote our best efforts with respect to the management of the Private Funds and individual client accounts. Given the differing objectives, suitability, risk factors, and qualifications for participation in the Private Funds, we may give advice or take action that differ from that for individual client accounts. To the extent a particular investment is suitable for both the Private Funds and individual client accounts, such investments will be allocated between the two in a manner we determine is fair and equitable under the circumstances to all our clients.

## Item 5: Fees and Compensation

### Advisory Fees

Management Fees: We provide investment management services for an annual fee based upon a percentage of the market value of assets being managed (“Management Fee”). The Management Fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. We do not, however, receive any portion of these commissions, fees, and costs. The Management Fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed as of the last day of the previous quarter. The Management Fee varies (between 0.50% and 2.00%) depending upon the market value of the assets managed and the type of services to be rendered.

If deposits or withdrawals in excess of \$100,000 are made after inception of a billing period, the fee payable with respect to those assets will be prorated to reflect the change in portfolio value. For the initial billing period, the fee will be calculated on a pro rata basis. In the event a client relationship is terminated, the fee for the final billing period will be prorated through the effective date of termination and the unearned portion will be refunded to the client, as appropriate.

Performance Fees: We may also render investment management services to certain qualified clients for a performance-based fee with the requirements set forth in applicable laws, rules, and regulations. For those clients, we charge a Management Fee in addition to a fee based on the performance of an account (“Performance Fee”). The Performance Fee is charged of up to 20% of the account’s net performance, subject to reaching an agreed-upon hurdle rate and a perpetual high-water mark. The Performance Fee is charged annually, in arrears, based on the net appreciation of a client account at the end of the calendar period.

In our sole discretion, we may negotiate to charge a lesser fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, pro bono activities, etc.).

### Additional Fees and Expenses

In addition to and exclusive of our advisory fees, clients may incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions. Our brokerage practices are described in Item 12 below. Additional charges may include securities brokerage commissions, transaction fees, custodial fees, charges imposed directly by a mutual fund or ETF, as disclosed in the fund’s prospectus (e.g., fund-related management fees and other expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions.

### Fee Debit

Clients will generally provide us with authority to directly debit the advisory fees from their accounts. The qualified custodians for the client accounts have agreed to send statements to the clients no less than quarterly that details all account transactions, including payment of our fees.

### Account Deposits and Withdrawals

Clients may make deposits and withdrawals to/from their account at any time, subject to our right to terminate the account. Deposits may be in cash or securities provided that we reserve the right to liquidate any transferred securities or decline to accept particular securities deposited into the account. Clients may make a withdrawal after providing us prior notice and subject to the usual and customary securities settlement procedures. However, since we design our portfolios as long-term investments, such withdrawal may impair the achievement of the client's investment objectives. We may consult with clients about options and implications of transferring securities. Clients are advised that when securities transferred in are liquidated, they may be subject to transaction fees, fees imposed directly by mutual fund or ETF (i.e., contingent deferred sales charge) and/or tax ramifications.

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

As previously discussed in Item 5, we may render investment management services to certain qualified clients for a Performance Fee in addition to the Management Fee. This fee arrangement raises a conflict of interest where there may be an incentive for us to make investments that are riskier or more speculative than would be the case absent a Performance Fee arrangement or to favor accounts paying a Performance Fee. There are procedures in place to ensure that any recommendations made to clients are in their best interests regardless of a Performance Fee or other type of fee arrangement.

## Item 7: Types of Clients

Our client types include individuals, pooled investment vehicles, trusts, estates, charitable organizations, corporations, and other business entities.

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

### Methods of Analysis

Our primary methods of analysis include the following:

Fundamental analysis involves the fundamental financial condition and competitive position of a company. We analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in this type of analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

Technical analysis involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that we will accurately be able to predict such a reoccurrence.

Quantitative analysis involves the application of mathematical methods to financial problems. Using statistical or mathematical algorithms, portfolios may be optimized for risk/return characteristics. Risks with quantitative analysis are similar to those of technical analysis since many inputs stem from historic mathematical patterns.

### Investment Strategies

We generally allocate client assets in or more of the following investment strategies based on the clients' investment needs:

- Domestic Equity
- Domestic Market Neutral
- Global Equity
- International Equity
- Global Macro Multi-Strategy
- Global Dynamic Income

From time to time, we may strategically implement strategies other than those mentioned above based on the particular investment needs of a client.

In addition to following individual markets, categories, and indicators, we seek out opportunities in the alternative investment and private placement industry. Our due diligence process involves rigorous analyses to identify managers and strategies that meet specific criteria: investments in unique opportunities, provides a competitive advantage relative to their peers, and offers competitive pricing. These investments are complementary to our management services or to traditional investments in equities, bonds, and real assets.

We evaluate every potential investment based on how it contributes toward the clients' ultimate goals. Developing a financial plan or investment strategy tailored to each client's specific situation is an important part of that process. Therefore, we offer complimentary planning services for both individual and institutional clients as part of the advisory fee arrangement. Some services offered include cash flow management, education planning, retirement planning, investment planning, risk management and insurance planning, tax planning, estate planning and business succession planning for business owners.

### **Risks**

Mutual Funds and ETFs: Investments in mutual funds or ETFs involve risk, including the loss of principal. Mutual funds and ETFs are subject to secondary market trading risks. Shares of mutual funds and ETFs are listed for trading on an exchange, however, there can be no guarantee that an active trading market for such shares will develop or continue. There can be no guarantee that an exchange listing for a mutual fund or ETF or ability to trade its shares will continue or remain unchanged. Shares of mutual funds or ETFs may trade on an exchange at prices above or below their most recent net asset valuation (NAV), which is the price for which an investor would buy or sell the mutual fund or ETF. The per share NAV of a mutual fund or ETF is calculated at the end of each business day and fluctuates with changes in the market value of the mutual fund's or ETF's holdings. Trading prices of these shares may differ significantly from NAV during periods of market volatility, which may, among other factors, lead to shares trading at a premium or discount to NAV.

Options: We may recommend the use of option trading for certain clients. Options allow us to hedge or limit certain losses on the clients' holdings as well as to buy or sell a security at a certain price other than the current market price. Clients pay a fee for the options. If an option falls out-of-the-money (i.e., the market price of the security does not justify buying or selling the security at the option price), the client will lose the fee.

Market Risks: The profitability of a significant portion of our recommendations may depend, to a great extent, upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that we will be able to accurately predict those price movements.

Use of Private Pooled Investment Vehicles: We may recommend to certain clients, investments in privately placed pooled investment vehicles (such as hedge funds or venture capital funds). Managers of these private investment

vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. Hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the investment vehicle. Additionally, since these investment vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. Clients will receive a private placement memorandum and/or other documents explaining such risks.

Management Through Similarly Managed Accounts: We may manage client accounts by allocating assets among various securities on a discretionary basis using one or more investment strategies previously described. In doing so, we will buy, sell, exchange and/or transfer various securities based upon the investment strategy. This type of management complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the investment strategy, with a safe harbor from the definition of an investment company.

An investment strategy may involve an above-average portfolio turnover that could negatively impact upon the net after-tax gain experienced by an individual client. Securities in the investment strategy are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to clients may be limited. For example, various mutual funds or insurance companies may limit the ability to buy, sell, exchange or transfer securities consistent with the investment strategy. As further discussed in Item 12, investment opportunities are allocated among clients on a fair and equitable basis.

#### **Item 9: Disciplinary Information**

We are required to disclose all material facts if there are legal or disciplinary events material to a client's or prospective client's evaluation of our advisory business or integrity of management. We have no disclosures pursuant to this Item.

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

We are required to disclose any relationship or arrangement material to our advisory business or to clients with certain related persons. We have no disclosures pursuant to this Item.

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

We and our associated persons are permitted to buy or sell securities that is also recommended to clients consistent with our policies and procedures.

We have adopted a "Code of Ethics" that sets forth the standards of conduct expected of our associated persons and requires compliance with applicable securities laws. In accordance with Section 204A of the Investment Advisers Act of 1940 ("Advisers Act"), the Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by us or any of our associated persons. The Code of Ethics also requires that certain of our personnel (referred to as "access persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings. Unless specifically permitted in the Code of Ethics, none of our access persons may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any client. When purchasing or considering for purchase any security on behalf of a client, no access person may affect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when selling or considering the sale of any security on behalf of a client, no access person may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: direct obligations of the Government of the United States, money market instruments, bankers' acceptances, bank certificates of

deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements, shares issued by mutual funds or money market funds, and shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact us to request a copy of our Code of Ethics.

### Item 12: Brokerage Practices

We generally recommend clients to utilize TD Ameritrade Institutional (“TD Ameritrade”) and/or Charles Schwab & Co., Inc. (“Schwab”) as the primary broker-dealer and custodian for their accounts (collectively, “Custodians”). Factors we consider in this recommendation include the broker-dealer and/or custodian’s financial strength, reputation, execution, pricing, research, and service. Our Custodians enable us to obtain many mutual funds without transaction charges and other securities at nominal or zero transaction charges.

#### Best Execution

Commissions paid by clients comply with our duty to obtain “best execution.” Clients may pay commissions that are higher than what is charged by another qualified financial institution to affect the same transaction where we determine that the commissions are reasonable in relation to the value of brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of the broker-dealer or custodian’s services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. We seek competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions. We periodically and systematically review our policies and procedures regarding the recommendation of broker-dealers and custodians in light of our duty to obtain best execution.

#### Directed Brokerage

Clients may direct us in writing to use a particular broker-dealer to execute some or all of their transactions. In that case, clients will negotiate terms and arrangements for the account with that broker-dealer, and we will not seek better execution services or prices from other broker-dealers or be able to “batch” client transactions for execution through other broker-dealers with orders for other accounts we manage. As a result, clients may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to our duty of best execution, we may decline a client’s request to direct brokerage if, in our sole discretion, such directed brokerage arrangements would result in additional operational difficulties. Client transactions will generally be affected independently unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may, but are not obligated to, combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among clients, differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among clients on a prorated basis to the purchase and sale orders placed for each client on any given day. To the extent we determine to aggregate client orders for the purchase or sale of securities, including securities in which our supervised persons may invest, we shall generally do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the SEC. We shall not receive any additional compensation or remuneration as a result of the aggregation. In the event we determine that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected

to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (may be due to unforeseen changes in the account assets after an order is placed); (iv) with respect to a sale transaction, allocations may be given to accounts that are low in cash; (v) in cases when a prorated allocation of a potential execution would result in a de minimis allocation in one or more accounts, the account(s) may be excluded from the allocation; (vi) the transactions may be executed on a prorated basis among the remaining accounts; and (vii) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts at random.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist us in our investment decision-making process. Such research generally will be used to service all clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing the client's account. The receipt of these products or services as well as the allocation of related benefits poses a conflict of interest since we do not have to produce or pay for those products or services.

#### **Software and Support Provided by TD Ameritrade**

We participate in the institutional customer program offered by TD Ameritrade. TD Ameritrade is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA, an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers services to independent investment advisors which include custody of securities, trade execution, clearance, and settlement of transactions. There is no direct link between our participation in the program and the investment advice we give to clients, although we receive economic benefits through our participation that are typically not available to TD Ameritrade's retail investors. These benefits are provided at no cost or at a discount and include: (i) receipt of duplicate client statements and confirmations; (ii) research related to products/tools; (iii) consulting services; (iv) access to trading desk serving advisor participants; (v) access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; (vi) access to an electronic communication network for client order entry and account information; (vii) access to mutual funds with no transaction fees and certain institutional money managers; and (viii) discounts on marketing, research, technology, and practice management products or services provided to us by third party vendors.

Some products or services may assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by our participation in the program does not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duty, we always endeavor to put our clients' interests first, however, clients should be aware that economic benefits received by us or by our related persons in and of itself creates a potential conflict of interest and may indirectly influence our recommendation of TD Ameritrade for custody and brokerage services.

Our receipt of additional services raises potential conflicts of interest. In providing additional services to us, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, our client accounts maintained at TD Ameritrade. TD Ameritrade has the right to terminate the additional services addendum, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain additional services from TD Ameritrade, we may have an incentive to recommend to clients their managed assets be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. Our receipt of additional services does not diminish our duty to act in the best interest of the clients, including to seek best execution of trades for client accounts.

#### **Software and Support Provided by Schwab**

We may receive from Schwab, at no additional cost, computer software and related systems support, which allow us to better monitor client accounts maintained at Schwab. We may receive software and related support without cost because we render investment management services to clients that maintain assets at Schwab. The software and related systems support may benefit us, but not our clients directly. As part of our fiduciary duty, we always endeavor to put our clients' interests first, however, clients should be aware that economic benefits received by us creates a conflict of interest as these benefits may influence our choice of one broker-dealer/custodian over another that does not furnish similar software, systems support, or services.

Additionally, we may receive the following benefits from Schwab through their respective institutional divisions: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services institutional firms; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

### Item 13: Review of Accounts

We monitor our client accounts on an ongoing basis and conduct periodic account reviews at least quarterly. Such reviews are conducted by our investment adviser representatives. We encourage clients to discuss with us their needs, goals, and objectives and keep us informed of any changes thereto. We contact our clients at least annually to review our previous services and discuss the impact resulting from any changes in their financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular account statements directly from the broker-dealer or custodian for where their accounts are held. In addition, we may periodically send reports to clients that includes relevant account and/or market-related information, such as an inventory of account holdings and account performance. Clients are encouraged to compare the account statements they receive from their Custodian with the reports they receive from us.

### Item 14: Client Referrals and Other Compensation

We are required to disclose any relationship or arrangement where we receive one or more economic benefits from a non-client third party for providing advisory services. In addition, we are required to disclose any direct or indirect compensation that we provide for client referrals. We have no disclosures pursuant to this Item.

### Item 15: Custody

Our DIMA and the separate account agreements with Custodians authorize us through the Custodians to directly debit our fees from client accounts and to remit those fees to us in accordance with applicable custody rules. The Custodians we recommend have agreed to send account statements to our clients, at least quarterly, indicating all disbursements from the account including fees paid directly to us.

#### Private Funds

As the General Partner to the Private Funds, we are deemed to have custody of those client assets. As such, the Private Funds are subject to an annual audit conducted by an independent public accountant registered with, and subject to regulatory inspection by, the Public Accounting Oversight Board (PCAOB). We are also required to distribute audited financial statements to each investor within 120 days of the Private Fund's fiscal year-end.

### Item 16: Investment Discretion

Clients grant us with discretionary authority over their accounts through a power-of-attorney that is included in the language of the DIMA that we engage in with the clients at the start of the advisory relationship. We are considered to exercise investment discretion over an account if we can affect transactions for the client without

first having to seek the client's consent. We take discretion over activities such as (i) the securities to be purchased or sold; (ii) the amount of securities to be purchased or sold; (iii) when transactions are made; and (iv) the broker-dealers/custodians to be utilized. Clients may request to limit this authority (such as certain securities not to be bought or sold).

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

Where we have accepted responsibility to vote proxies on behalf of clients, we only vote such proxies in the best interest of the clients and ensure that the vote is not a product of an actual or potential conflict of interest. Absent special circumstances, as discussed in our proxy voting policies and procedures, all proxies will be voted consistent with the Proxy Voting Guidelines as also described in our policies and procedures. Clients may request information about how their proxies were voted or request a copy of our proxy policies and procedures.

We have formed a Proxy Voting Committee responsible for monitoring corporate actions, making voting decisions in the best interest of the clients, and ensuring that proxies are submitted in a timely manner. The Proxy Voting Committee will generally vote proxies according to our then current proxy voting guidelines. The guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: (i) approval of independent auditors; (ii) management and director compensation; (iii) anti-takeover mechanisms and related issues; (iv) changes to capital structure; corporate and social policy issues; and (v) issues involving mutual funds. Although the proxy voting guidelines are generally followed, certain issues are considered on a case-by-case basis, depending on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, we devote an appropriate amount of time and resources to monitor these changes. Though clients cannot direct our vote on a particular solicitation, they may revoke our authority to vote proxies on their behalf.

In situations where there may be a conflict of interest in voting proxies due to business or personal relationships that we maintain with persons having an interest in the outcome of certain votes, we take appropriate steps to ensure that proxies are voted in the clients' best interests and are not the product of such conflict.

#### **Item 18: Financial Information**

We do not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, we are required to disclose any financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients. We have no disclosures pursuant to this Item.