

March 21, 2022

ADV Part 2A:

# FIRM BROCHURE

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This brochure (the “Brochure”) provides information about the qualifications and business practices of Vivaldi Capital Management LP (“VCM”) and certain of its personnel. VCM is an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). Registration with the SEC or any state securities authority does not imply a certain level of skill or training. 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 312-248-8300 or [info@vivaldicap.com](mailto:info@vivaldicap.com). Additional information about VCM is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

The following is a summary of material changes from VCM's last Brochure, dated November 23, 2021:

- The "Other Financial Industry Activities & Affiliations" section has been updated to reflect the dissolution of a joint venture which provided certain consulting, administrative and middle-office and back-office services to VCM.
- The "Client Referrals & Other Compensation" section has been updated to reflect VCM's participation in Charles Schwab & Co., Inc's client referral program.

We will ensure that you receive a summary of any material changes to this and any subsequently issued Brochure within one hundred and twenty (120) days of the close of our fiscal year-end. We may provide other disclosure information about material changes to our business, products, services or personnel as necessary.

You may obtain a copy of the Brochure at any time, without charge, by contacting VCM at 312-248-8300. The Firm's Brochure is also available free of charge on the SEC's Investment Adviser Public Disclosure web site ([www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)).

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## **Advisory Business**

### **Firm Overview**

Vivaldi Capital Management LP (“VCM”) is an investment advisory firm that has been registered with the SEC since February 2012. VCM is primarily owned by VFT Holdings LP, a Delaware limited partnership. VFT Holdings’ principal owners are David Sternberg (through a corporation), Michael Peck, Randal Golden (though a corporation), Chad Eisenberg, and Scott Hergott (through a limited liability company).

As of December 31, 2021, VCM’s assets under management were \$3,328,894,632, of which \$1,441,476,587 were managed on a discretionary basis and \$1,887,418,045 were managed on a non-discretionary basis.

### **Firm Products & Services**

VCM is an investment advisory firm that specializes in providing integrated wealth management solutions to high net worth individuals, family offices and institutions and their related entities, including trusts and retirement plans.

#### *Wealth Management Services*

VCM primarily provides its clients with integrated investment and other wealth planning and management services. Our wealth management philosophy is rooted in a dedication to knowing our clients and their families personally so that we can thoroughly understand their goals, interests, concerns, and risk tolerance. In accord with that philosophy, each client works with a dedicated wealth advisor to tailor wealth management solutions that address the client’s unique needs.

VCM’s investment processes are designed to allow us to tailor investment recommendations to each client and in turn to construct an allocation that is unique to a client’s needs, objectives and circumstances. Prior to engaging VCM, each client is asked to enter into one or more written agreements setting forth the terms, conditions, and objectives governing VCM’s services. In addition, each client may be asked to furnish, or arrange to have furnished, information regarding accounts held with other financial institutions along with information about other assets in which they have an ownership interest.

For various clients, VCM provides separately managed accounts<sup>1</sup>; equity, mutual fund and fixed income portfolio solutions; alternative investments; and institutional due diligence services (through an affiliate) on various fund managers and products in which clients may invest (some of which may be affiliated). In addition, VCM provides comprehensive wealth management, asset and performance reporting, offers individualized financial planning, and helps orchestrate professional services provided by third parties (including accountants, attorneys, etc.).

VCM believes that its clients may benefit from allocation to alternative investments. Investing directly in hedge funds, private equity, and/or real estate funds can be difficult for many individuals given that certain managers may require large minimum investments which limit an individual’s ability to diversify his/her investments, may have restrictive liquidity terms, or may no longer be open to new investors. To help offset

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<sup>1</sup> A separately managed account (“SMA”) is a portfolio of securities directly owned by the investor and managed according to a specific discipline and/or style by a professional investment manager. SMAs, while often managed in line with pooled vehicles the investment manager may also be managing, differ from pooled vehicles like mutual funds in that each portfolio is unique to a single account. As a result, there generally will not be an exact correlation between the holdings and transactions in the SMA with that of the pooled vehicle or other accounts the investment manager is managing.

these potential barriers to entry into these types of investment opportunities, VCM has access (through an affiliated joint venture described below) to a variety of private funds that allow VCM qualified clients to invest in relatively diversified and carefully constructed pools of institutional-quality alternative investments, including hedge funds and private equity and real asset funds, managed by unaffiliated investment advisers.

### *FTCS Investment Platform*

On November 1, 2021, VFT Holdings and First Trust Capital Partners formed a joint venture to own and operate a robust investment platform for registered investment advisors and their clients focused on alternative investment solutions. The joint venture, called First Trust Capital Solutions L.P. (“FTCS”), is owned equally by First Trust Capital Partners and VFT Holdings and its affiliates.

The investment platform (the “FTCS Investment Platform”) specializes in alternative strategies that include privately-offered alternative investment allocation vehicles (together, the “First Trust Private Funds”), and closed-end interval funds and tender offer funds which are advised/managed by an affiliate, First Trust Capital Management (“FTCM”) (formerly known as Vivaldi Asset Management). FTCM operates as a wholly owned subsidiary of FTCS. FTCS oversees proprietary strategy models (referred to as building blocks) which span a range of asset classes and objectives. See “**Investment Strategies – Managed Portfolios**” below.

As opposed to traditional “fund-of-funds,” the First Trust Private Funds provide clients with the ability to customize their investment allocations to various underlying funds through the selection of different single-manager or multi-manager classes within each investment strategy group. The investment programs of each class of the First Trust Private Funds are based upon the specific objectives of each over-arching strategy and the underlying fund(s) in which the class invests. Investors should refer to these funds’ private placement memoranda and class supplement documents, as well as the underlying funds’ private placement memoranda, for a more complete discussion of these investments.<sup>2</sup>

FTCS also has a technology platform of private investment opportunities designed for investment advisors and their high net worth and family office clientele. This business, which operates under the name First Trust Innovative Technologies LP as a subsidiary of FTCS, performs due diligence on managers across all asset classes and strategies, and maintains a proprietary database of firms, portfolio managers, and all related correspondence.

VCM and FTCS are parties to a Platform Access Agreement that provides VCM advisors access to the FTCS Investment Platform, including the First Trust Private Funds, the proprietary strategy models, research materials and technology platform, as well as certain administrative and other services, for a fixed annual fee. VCM advisors utilize the models’ building blocks to construct diversified client portfolios to meet client goals and objectives, which may include investments in First Trust Private Funds and other investment vehicles (whether managed by FTCM or unrelated managers). VCM utilizes the technology provided by the FTCS Investment Platform for tracking, reporting and creating a more seamless and effective client experience.

### *ERISA Investment Fiduciary Services*

VCM, doing business as VCM Retirement Plan Services, provides investment advisory services and, through

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<sup>2</sup> The First Trust Private Funds are limited liability companies or limited partnerships and are exempt from registration under federal securities regulations, including the Investment Company Act of 1940 (the “Investment Company Act”) and the Securities Act of 1933 (the “Securities Act”). As a result, investment in the First Trust Private Funds is limited to persons who are “accredited investors” as defined under the Securities Act and, in most cases, “qualified purchasers” as defined in the Investment Company Act.

a sub-advisory relationship with Pensionmark Financial Group, LLC (“Pensionmark”), an unaffiliated registered investment adviser, investment management services to retirement plan sponsors and participants. In performing these services, VCM, with the assistance of Pensionmark, acts as a fiduciary and performs those duties required of a fiduciary as defined under Section 404 of the Employee Retirement Income Security Act of 1974 (“ERISA”) and Section 4975 of the Internal Revenue Code of 1986. VCM acts solely in the best interest of retirement investors in accordance with the fiduciary responsibilities set forth in ERISA.

Under the sub-advisory agreement between VCM and Pensionmark, VCM is primarily responsible for all communication with the retirement plan sponsors and participants and determining which plan provided and monitored by Pensionmark is suitable for each client. As part of its process, VCM provides general enrollment and education meetings with plan participants and meets with plan participants to gauge their risk tolerance and their investment goals. Pensionmark, as the sub-advisor, furnishes continuous and regular supervision of the ERISA 3(38) investment management for the plans and determines which investments are added, eliminated or replaced within the plans offered, in accordance an investment management methodology agreed upon by VCM.

VCM pays Pensionmark a fee based on an agreed upon fee schedule. VCM does not charge clients any fees or costs higher than its standard client fee schedule or otherwise pass the fees paid to Pensionmark on to its clients.

To help avoid conflicts of interest and ensure compliance with relevant regulations, VCM will not recommend to plan participants any of the public or private funds it or its affiliates manage and will not include these funds in its model portfolios.

## **Fees & Compensation**

### **Wealth Management Services**

VCM generally charges clients for which it provides Wealth Management Services an asset-based fee (a “Management Fee”) based on a schedule that takes into consideration the size of the client’s portfolio. The current schedule is as follows:

<b>Assets Under Management</b>		
<b>Min (\$)</b>	<b>Max (\$)</b>	<b>bps</b>
0	2 million	125
2 million	10 million	95
10 million	25 million	85
>25 million		75

The Management Fee may vary based on certain client-specific factors such as timing of the relationship, account size, number of accounts held together under a household, as well as the asset classes in which the client invests and the complexity of the relationship. In many circumstances, related family assets are aggregated for calculating fee breakpoints. Certain clients may receive a discount based on the limited scope of services being provided or during the initial period of investment. When engagements involve multiple households, the fee schedule is applied at the family level and a discount is applied for each household depending on the size and complexity of the relationship.

VCM typically requires a minimum initial account size of \$1,000,000, but reserves the right to accept client accounts that do not meet these minimum conditions.

As a component of its investment strategy, VCM utilizes the First Trust Private Funds. VCM clients who invest a portion of their assets in the First Trust Private Funds pay a single Management Fee on those assets (i.e. the client pays no additional fees because of its involvement with the First Trust Private Funds). Depending on the circumstance, VCM may debit the entire Management Fee from a custodial account and no management fee is charged on the clients' investment in the First Trust Private Funds, or vice versa, or the Management Fee could be charged in part through a debit to a custodial account and in part by the First Trust Private Funds. The value of the First Trust Private Fund investments is included in the client's portfolio for purposes of determining the applicable Management Fee rate, and detailed reconciliations are available for clients to review. VCM also utilizes a private fund that it manages, Cornerstone Diversified Portfolio, LP (the "Cornerstone Fund"), for which fees are handled in the same manner.

As a component of its investment strategy, VCM also utilizes registered mutual funds and exchange traded funds ("ETFs") advised by FTCM, for which FTCM receives fees as detailed in the offering materials for those funds. The value of the FTCM-advised fund investments is included in the client's portfolio for purposes of determining the applicable Management Fee charged.

### **Fee Billing**

The manner in which specific fees are calculated and charged is described in each client's written investment management agreement with VCM. In its agreement with its clients, VCM reserves the right to modify its billing practices by advance written notice.

VCM bills the Management Fee on a calendar quarter basis. Typically, the Management Fee is billed in arrears, although in certain situations it is billed in advance. To determine the Management Fee when billed in arrears, the rate to which the client agreed in the client's investment management agreement will be multiplied by the average daily market value of assets under management during the calendar quarter. When billed in advance, the rate to which the client agreed in the client's investment management agreement will be multiplied by the value of the client's portfolio on the last day of the previous quarter. For illiquid assets, where valuations are not always readily available, VCM will normally utilize the last available value plus or minus any intra-quarter capital activity. In any partial calendar quarter, the fee will be pro-rated based on the number of days the client account was open during that quarter.

Clients may pay for advisory services by check or by wire or may give VCM the authority to have the Management Fee debited directly from the client's account(s). Clients typically grant VCM authority to have the Management Fee deducted directly from the client's account(s) held by an independent custodian. VCM will notify the custodian of the amount of the Management Fee due for each quarter through the custodian's electronic disbursement system. The custodian will send each client a statement, at least quarterly, indicating the amounts disbursed from each account, including the amount of the Management Fee paid directly to VCM. Clients are urged to carefully review the reports received from the custodian and to compare those reports with any reports received from VCM.

### **Additional Services**

Fees for institutional due diligence, performed by an affiliate and other negotiated services are negotiated on a project-by-project basis.

## **Other Fees & Expenses**

VCM's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which may be imposed by custodians, brokers, third party managers, and other third parties. These additional charges may include custodial fees, deferred sales charges, transfer taxes, wire transfer fees, electronic fund fees, commissions or mark-ups, and other fees and taxes on brokerage accounts and transactions in those accounts. Clients pay these fees directly to the custodian and/or broker. See "Brokerage Practices" below for a description of the factors that VCM considers in selecting or recommending broker-dealers for client transactions and in determining the reasonableness of their compensation (e.g., commissions).

Separately managed accounts, non-affiliated managed funds, certain affiliated managed funds, mutual funds, ETFs, and other investment products (including certificates of deposit ("CDs") and other instruments) are subject to additional fees, commissions and administrative costs that are borne by their investors. Clients' trading activity in stocks, bonds, mutual funds, ETFs, and other financial instruments (including CDs) will result in commissions and other transaction costs in accordance with each client's arrangements with its broker/dealer and custodian. Mutual funds, ETFs and private funds also charge internal management fees, which are disclosed in a fund's prospectus or offering documents.

Neither VCM nor its supervised persons accept compensation for the sale of securities or other investment products.

## **Cornerstone Fund Management Fees**

The Cornerstone Fund is subject to a variety of fees and expenses. These fees and expenses include management and incentive fees and may include performance-based incentive allocations and management fees collected by the managers chosen by VCM; fund legal, administrative, and audit costs; costs incurred in connection with the acquisition, ownership, financing, hedging or sale of investments; and taxes for the Cornerstone Fund and for the underlying funds in which it invests. These fees and expenses are described in detail in the Cornerstone Fund's confidential offering materials.

Each client that invests in the Cornerstone Fund indirectly bears his or her proportional share of the fees and expenses of the fund. These fees and expenses are charged to the fund and not billed directly to the client.

The payment of management fees, performance-based fees, and administrative and operating expenses at the underlying fund, and possibly sub-fund levels, as well as the payment of administrative and operating expenses incurred by the Cornerstone Fund, may result in a layering of fees and significant expenses.

## **Waivers**

Compensation payable to VCM is generally not negotiable, but under certain circumstances VCM may, in its sole discretion, reduce or waive all or a portion of its Management Fee, other compensation and/or expenses for a particular investor based on factors such as assets under management with the firm, longevity, and type of investment.

## **Transactions or Arrangement between Certain Related Parties**

As discussed in this Brochure, VCM and FTFCM are related companies. As a component of its investment strategy, VCM may utilize the Cornerstone Fund it manages or underlying mutual funds, ETFs or private funds advised by FTFCM or its affiliate(s) ("Affiliated Funds"). In such situations, VCM or its affiliate(s) receive fees from the Affiliated Funds for serving as investment adviser (in the case of the Cornerstone Fund) or benefit from fees collected by an Affiliated Fund (in the case of the First Trust Private Funds or other funds



advised by FTCM), as detailed in the Affiliated Fund's offering materials. These fees create a financial incentive for VCM to utilize Affiliated Funds so that fees and expenses charged by the fund or manager benefit VCM or its affiliate, rather than a non-affiliate.

### **Termination of Advisory Agreement**

VCM's investment management agreement provides for termination of the investment management relationship between VCM and the client upon written notice. In the event a client terminates its account or otherwise withdraws assets prior to the end of the quarter, a final invoice will be issued for payment promptly upon such notice of termination. In addition, the client may be subject to investment withdrawal fees, gates or other restrictions charged by any of the investments in which the client may have assets that the client may wish to redeem or sell at the time of the termination.

Termination of the investment management relationship with VCM does not terminate a client's obligations to meet capital calls for, or other commitments to, any private equity investments made through or with VCM as described in those investments' confidential offering materials.

### **Performance Based Fees & Side by Side Management**

Payment of management fees, performance-based fees, and administrative and operating expenses charged by any of the funds in which a client directly or indirectly invests results in a layering of fees which may result in a significant cost of investment.

#### **Performance Based Fees**

VCM may earn a performance fee from the Cornerstone Fund. The performance-based fee is calculated based on a percentage share of the net profit on, or capital appreciation of, the assets of the fund. The performance allocation may create an incentive for VCM to cause the Cornerstone Fund to make investments that are riskier or more speculative than would be the case if VCM were allocated only a fixed amount. Performance-based fees are only charged in accordance with the provisions of Rule 205-3 of the Investment Advisers Act of 1940 (the "Advisers Act") and any applicable state regulations. Please see the Cornerstone Fund's offering materials for additional information about the performance-based fee.

#### **Side by Side Management**

From time to time, VCM may become aware that certain of the private funds in which the First Trust Private Funds invest are willing to accept direct investments from VCM's clients. In such cases, VCM may notify select clients about the investment opportunity. Although VCM will always try to treat its clients fairly over time, these types of investment opportunities will only be presented to those clients for whom VCM believes, based on the client's stated financial profile and investment objectives, they would be appropriate.<sup>3</sup>

In addition, conflicts could exist between the allocation of investment opportunities for SMAs, sub-advised assets, and the Cornerstone Fund. Conflicts may exist due to available funds or restrictions defined in the investment management agreement. VCM has designed its procedures to provide fair and equitable allocation among SMAs, sub-advised assets, and the Cornerstone Fund.

Because we endeavor at all times to put the interest of our clients first, we take the following additional steps to address any potential conflicts:

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<sup>3</sup> Clients will only be presented with such opportunities if VCM knows that they can satisfy the higher minimums required for a direct investment.

- We disclose to investors and prospective clients the existence of material conflicts of interest, including the potential for our firm and its employees to earn more compensation from some clients than others; and
- We have implemented policies and procedures for fair and consistent allocation of investment opportunities among any funds or other client accounts, subject to the fund's/client's underlying strategy, cash availability, availability of interests in the underlying funds, and other appropriate considerations.

## **Types of Clients**

VCM's wealth management business generally services high net worth individuals, family offices and institutions and their related entities, including trusts and retirement plans. The Cornerstone Fund is also a client of VCM, as it serves as the manager of the General Partner and adviser to the fund. VCM Retirement Plan Services provides investment advisory and investment management services to retirement plan sponsors and participants.

## **Investment Strategies, Methods of Analysis & Risk of Loss**

### **Model Portfolios and Investment Committee**

Pursuant to the Access Agreement, VCM has access to the FTCS Investment Platform, including its model portfolios. The construction, management and oversight of FTCS's model portfolios is overseen by members of the FTCS research team, many of whom were formerly employees of VCM prior to formation of the First Trust Joint Venture.

VCM's Investment Committee, which is comprised of VCM's executive team and certain other VCM employees, is responsible for the management and oversight of alternative investments in VCM client portfolios, including client investments in the First Trust Private Funds and other FTCSM-advised products. The Investment Committee meets at least semiannually to review the investment opportunities currently available through the FTCS Investment Platform and to determine whether changes should be made to the list of investments made available to VCM clients. All Investment Committee decisions must be approved by those members who are not also members of the executive team at FTCSM.

### **Investment Strategies**

#### *Managed Portfolios*

VCM constructs managed client portfolios using an asset allocation strategy that breaks down the investment universe into five core asset classes – Equities, Fixed Income, Alternatives, Real Estate and Private Equity – and then creates a customized asset allocation for each client across traditional and alternative investment strategies tailored to the client's particular circumstances and investment objectives.

Within each core asset class, VCM employs a variety of strategies that form the "building blocks" for client portfolio construction. These strategies and their relative emphasis will change over time, depending upon market conditions and perceived opportunities. Some of these strategies are managed by FTCSM, while others are managed by third-party managers. The strategies differ in structure (e.g. mutual funds, ETFs, limited partnerships, closed-end funds, separately managed accounts), liquidity (e.g. daily, monthly, quarterly or longer), investment minimums and investor qualifications. VCM builds customized client portfolios using one or more strategies within an allocated asset class depending upon a client's goals, risk tolerance, investment horizon, potential needs for liquidity and other factors.

Below is a list of VCM's core asset classes and some of the strategies within each class. Investments within these strategies usually are in the form of mutual funds, ETFs, closed-end funds, interval or tender offer funds, private funds, or individual securities.

- Equities
  - Global Equities
  - Domestic Equities
  - Tax Managed Equities
  - Active Equities
  - Thematic Equities
  - Master Limited Partnerships
- Fixed Income
  - Core Fixed Income Strategies
  - Flexible Fixed Income Strategies
- Alternatives
  - Strategic Alternatives
  - Multi-Manager Models
  - Individual Managers
- Real Estate
  - Real Estate Strategies (REITs)
  - Select Real Estate
  - Qualified Opportunity Zone Funds
- Private Equity
  - Private Equity Strategies
  - Select Private Equity
  - Co-Investments

### *Private Funds*

Each fund's offering materials contain a detailed discussion of the fund's investment objective and investment strategies, which are summarized below.

First Trust Private Funds. Pursuant to the Platform Access Agreement, VCM has access to the First Trust Private Funds, whose investment objective is to achieve capital appreciation by providing investors with access to a variety of investment advisors who implement various proprietary investment programs. An investment in the First Trust Private Funds provides investors with the opportunity to invest indirectly in various underlying hedge funds, managed accounts, or other investment vehicles, the assets of which are traded and/or managed by third-party hedge fund, real estate and private equity advisors (some of whom may have revenue sharing or other arrangements with VCM or its related parties).

Cornerstone Fund. The principal investment objective of the Cornerstone Fund is to achieve long-term capital growth by investing predominantly in private real estate opportunities, typically through limited partnerships and limited liability companies. However, the Cornerstone Fund may also invest in cash equivalent investments, private investment entities, separately managed accounts, mutual funds, exchange traded funds and other investment types.

### **Methods of Analysis**

#### *Wealth Management Services*

VCM typically meets with new clients on several occasions, either in person or by phone/videoconference, before making investment recommendations. These customized investment recommendations are based on

a variety of factors, including, but not limited to, the client's current financial situation (income; net worth; cash available for investment), investment objectives, risk tolerances, and liquidity requirements. VCM works carefully to understand each client's risk tolerance, but clients should understand that all investing involves a risk of loss.

### *Investment Funds*

Pursuant to the Platform Access Agreement, VCM has access to potential investment managers through the FTCS Investment Platform, including the First Trust Private Funds and other investment funds available thereon. VCM also has access to research reports from FTCS's research team, which reviews the manager's performance record and methods of evaluating and managing risk, as well as its back-office support, infrastructure and service providers to confirm that controls are in place that are designed to safeguard client assets. FTCS's due diligence process includes both direct research (such as examining underlying governing documents and offering materials, past audits, the investment team's experience, sophistication and depth, and the firm's operational processes and infrastructure) as well as indirect methods of analysis (such as background checks, reference checks, public filings, valuation confirmations, regulatory history reviews, and confirmation of third-party service providers). VCM's Investment Committee evaluates the FTCS reports and may conduct additional due diligence in determining whether to invest client assets in First Trust Private Funds or other investments available on the FTCS Investment Platform.

### **Principal Investment Risks**

No investment is free of risk. Current and prospective clients are cautioned that investments in securities involve risk of loss, including the possibility of a complete loss of the amount invested, and that they should be prepared to bear these risks. Based on the types of investments that VCM may recommend, all clients should be aware of certain risk factors, which include, but are not limited to, those discussed in the following paragraphs. Clients also should carefully review the offering materials of any investment funds recommended by VCM to ensure that they are aware of and understand the risks and costs involved with such investments.

### *Risks Associated with Equity Securities*

All investments in equity securities are subject to market risks that may cause their prices to fluctuate over time. Historically, the equity markets have moved in cycles and the value of the securities may fluctuate substantially from day to day. Owning an equity security can also subject an investor to the risk that the issuer may discontinue paying dividends. Investments in common stocks are subject to the risk that in the event a company is liquidated, the holders of preferred stock and creditors of that company will be paid in full before any payments are made to the holder of common stock. It is possible that all assets of that company will be exhausted before any payments are made to a common stockholder.

An investment in rights and warrants may entail greater risks than certain other types of investments. A right is a privilege granted to existing shareholders of a corporation to subscribe to shares of a new issue of common stock and it is issued at a predetermined price in proportion to the number of shares already owned. Rights normally have a short life, usually two to four weeks, are freely transferable and entitle the holder to buy the new common stock at a lower price than the current market. Warrants are options to purchase equity securities at a specific price for a specific period of time. They do not represent ownership of the securities, but only the right to buy them. Hence, warrants have no voting rights, pay no dividends and have no rights with respect to the assets of the corporation issuing them. Warrants differ from call options in that the underlying corporation issues warrants, whereas call options may be written by anyone. Generally, rights and warrants do not carry the right to receive dividends or exercise voting rights with respect to the underlying securities, and they do not represent any rights in the assets of the issuer. In addition, although their value is influenced by the value of the underlying security, their value does not necessarily change with

the value of the underlying securities, and they cease to have value if they are not exercised on or before their expiration date.

#### *Risks Associated with Fixed Income Investments*

The issuer of a fixed income security may not be able to make interest and principal payments when due. Generally, the lower the credit rating of a security, the greater the risk that the issuer will default on its obligation. As nominal interest rates rise, the value of fixed income securities is likely to decrease. A nominal interest rate is the sum of a real interest rate and an expected inflation rate.

Traditional convertible securities include corporate bonds, notes and preferred stocks that may be converted into or exchanged for common stock, and other securities that also provide an opportunity for equity participation. These securities are convertible either at a stated price or a stated rate (that is, for a specific number of shares of common stock or other security). As with other fixed income securities, the price of a convertible security generally varies inversely with interest rates. While providing a fixed income stream, a convertible security also affords the investor an opportunity, through its conversion feature, to participate in the capital appreciation of the common stock into which it is convertible. As the market price of the underlying common stock declines, convertible securities tend to trade increasingly on a yield basis and so may not experience market value declines to the same extent as the underlying common stock. When the market price of the underlying common stock increases, the price of a convertible security tends to rise as a reflection of higher yield or capital appreciation. In such situations, an investor may have to pay more for a convertible security than the value of the underlying common stock.

#### *Risks Associated with Exchange-Traded Funds*

ETFs are open-end investment companies whose shares are listed on a national securities exchange. An ETF is similar to a traditional mutual fund, but trades at different prices during the day on a securities exchange like a stock. To the extent that a client invests in ETFs which focus on a particular market segment or industry, the client will also be subject to the risks associated with investing in those sectors or industries. To the extent the client invests in inverse ETFs, these are subject to the risk that their performance will decline as the value of their benchmark indices rises. As a purchaser of ETF shares on the secondary market, a client will be subject to the market risk associated with owning any security whose value is based on market price. ETF shares historically have tended to trade at or near their net asset value, but there is no guarantee that they will continue to do so.

#### *Risks Associated with Alternative Investments*

VCM may recommend to qualified clients the use of alternative investments such as investments in real estate, private equity, or hedge funds. VCM may also recommend a direct investment into a private company. Investments in such "alternative assets" may be illiquid, which may impair the ability of the client to exit such investments in times of adversity. Alternative investments may utilize highly speculative investment techniques, including leverage, highly concentrated portfolios, senior and/or subordinated securities positions, control positions and illiquid investments. In addition, they may utilize derivative instruments to attempt to hedge the risks associated with certain of their investments. Transactions in such derivative instruments may expose the assets of investment funds to the risks of material financial loss. Clients who invest in alternative investments will pay VCM's advisory fees and those of the underlying investment managers, and certain other fees and expenses of underlying investment funds in which the client invests. Investors in alternative investments may also pay carried interest, performance or incentive allocations to an underlying manager or sponsor of an underlying investment fund in which they invest, all of which contribute to the overall cost of the investment.

#### *Risks Associated with Investments in Private Funds*

Investments in pooled investments and other investment vehicles generally are subject to legal or contractual restrictions on their resale. If the fund requests a complete or partial withdrawal of its interest in an underlying fund, the investment adviser of the underlying fund generally may, in its discretion or at the election of the fund, (i) not satisfy the fund's withdrawal request with respect to the portion of the investment's assets represented by illiquid investments until the disposition of those illiquid investments, (ii) satisfy the fund's withdrawal request with an in-kind distribution of illiquid investments (either directly or through an in-kind distribution of interests in a special purpose vehicle or other investment vehicle established to hold such illiquid investments), or (iii) in some cases, satisfy the withdrawal amount by valuing illiquid investments at the lower of cost or market or otherwise in the sole discretion of the applicable investment adviser. If the fund receives distributions in-kind from an investment, the fund may incur additional costs and risks to dispose of such assets. In addition, certain underlying funds may require maintenance of investment minimums and/or have holding periods and/or other withdrawal provisions more restrictive than those of the fund. These may include, but are not limited to, lock-ups, "side pockets," withdrawal "gates" and fees, suspensions and delays of withdrawals and other similar limitations. In addition, investors should realize that VCM has no control over the day-to-day operations of the First Trust Private Funds or of the underlying managers in the First Trust Private Funds, the Cornerstone Fund or any other private fund VCM may recommend.

### **Disciplinary Information**

Neither VCM nor any of its management has been involved in any legal or disciplinary events that would be material to a client's evaluation of VCM or its management.

### **Other Financial Industry Activities & Affiliations**

VCM is not actively engaged in a business other than providing investment advice to its clients, and structuring, offering and managing private investment vehicle(s). Neither VCM nor any of its management is registered, or has an application pending to register, as a broker-dealer, futures commission merchant, commodity pool operator, commodity trading adviser, or associated person of the foregoing, and VCM does not anticipate such affiliations in the future.

As discussed above, VFT Holdings and First Trust Capital Partners are parties in the First Trust Capital Solutions joint venture. FTFCM, a subsidiary of FTCS, is an SEC-registered investment advisory firm that provides advisory services to alternative strategy mutual funds and ETFs, and is the manager of the First Trust Private Funds. FTCS and FTFCM are related parties to VCM, and FTCS and VCM are parties to the Platform Access Agreement described above. See "**Firm Products & Services – FTCS Investment Platform**" above. In addition to serving as the manager of the First Trust Private Funds, FTFCM currently serves as the investment adviser/sub-advisor to several registered investment companies. Clients should note that:

- VCM and FTCS have certain overlapping officers and employees and share office space, although they operate independently.
- Certain VCM principals and advisors have indirect equity interests in FTCS, and have an incentive to recommend to clients investments in the First Trust Private Funds and/or in registered investment companies managed by FTFCM.

A VCM affiliate is the General Partner of the Cornerstone Fund.

VFT Holdings is party to a joint venture agreement with an unrelated private real estate investment firm. The joint venture provides management services to a private real estate investment trust (REIT) and related real estate operating company.

Other than as described in this Brochure, VCM has no arrangements with a related person who is a broker-dealer, investment company, other investment adviser, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships that are material to its advisory services or its clients.

VCM has and will continue to develop relationships with professionals who provide services it does not provide, including legal, accounting, banking, tax preparation, insurance brokerage, certain boutique investment strategies, and other personal services. None of these relationships creates a material conflict of interest with any of VCM's clients.

## **Code of Ethics, Interest in Client Transactions & Personal Trading**

### **Code of Ethics**

VCM has adopted a Code of Ethics for all supervised persons that includes policies and procedures governing their conduct and addressing the firm's fiduciary duty to its clients. The Code of Ethics includes provisions relating to standards of business conduct, the confidentiality of client information, and a prohibition on insider trading. At the beginning of employment and at least annually thereafter, all VCM supervised persons must acknowledge in writing the terms of the Code of Ethics and agree to be bound by it. VCM employees who violate the Code of Ethics may be subject to disciplinary action, including, but not limited to, loss of trading for a period of time, profit disgorgement, fines, censure, suspension or dismissal. Personnel are also required to promptly report any violations of the Code of Ethics of which they become aware.

Subject to satisfying VCM's policies as set forth in the Code of Ethics and applicable laws, officers, directors and employees of VCM and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for VCM's clients. The Code of Ethics is designed to allow employees to invest for their own accounts while assuring that material non-public information is not being used and the personal securities transactions, activities and interests of VCM's employees will not interfere with making and implementing decisions in the best interest of VCM's clients.

VCM's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting us at 312-248-8300 or by emailing [ClientService@vivaldicap.com](mailto:ClientService@vivaldicap.com).

### **Conflicts of Interest**

The investment documents provided to each client contain a description of what VCM believes to be the most significant conflicts of interest associated with a VCM recommended investment. Some of these conflicts are summarized in this Brochure; however, this summary does not attempt to describe all of the conflicts of interest associated with a prospective investment. Investors should carefully consider the conflicts of interest discussed in this Brochure, as well as those outlined in offering materials provided to them.

### *Participation or Interest in Client Transactions*

VCM anticipates that, in appropriate circumstances consistent with clients' investment objectives, it will recommend to clients or prospective clients the purchase or sale of securities in which VCM, its affiliates and/or clients, directly or indirectly, have a position or interest. In these cases, VCM explicitly discloses the position or interest/relationship to the client prior to providing any such client with materials related to the investment. VCM and certain employees and affiliates of VCM may invest in and alongside its clients and its funds, either through the general partner, as direct investors in the fund, with outside fund managers, or otherwise.

When providing investment advice to a client's retirement plan or individual retirement account, separate from VCM Retirement Plan Services, VCM is also acting as a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code. VCM is required to act in the client's best interest, but at the same time VCM's fee structure creates a conflict with your interests. Certain investment advice may involve transactions which increase client assets under management and thus increases the fee received by VCM. In these situations, VCM has policies and procedures in place to ensure it provides retirement plan and individual retirement account clients with documentation stating the specific reasons the recommendation is in the best interest of the client prior to or at the time the recommendation is made.

VCM will not effect any principal or agency cross securities transactions for client accounts without pre-approval from the client. Principal transactions are generally transactions where an adviser, acting as principal for its own account or the account of an affiliate, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated fund and a client account. An agency cross transaction is a transaction where an investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. VCM will seek pre-approval from the underlying investor(s) prior to executing a cross trade.

#### *Revenue Sharing Arrangements*

VCM has negotiated arrangements with several unrelated third-party fund managers to receive payments (called "revenue sharing payments") from those managers equal to a portion of the management fees or other revenues they earn for managing their funds. These revenue sharing payments create a financial incentive for VCM to invest with third-party fund managers with whom it has such an arrangement. VCM provides clients with specific disclosures regarding these payments in the offering materials for any investments where there are revenue sharing arrangements.

#### *Transactions or Arrangements between Certain Related Parties*

VCM and FTCS are related companies. As a component of its investment strategy, VCM advisors may utilize Affiliated Funds (private funds managed by FTCS, a subsidiary of FTCS, or mutual funds or ETFs for which FTCS is the adviser, which often include the word "First Trust" or a derivation of it (e.g., "FT") as part of their name). VCM provides clients with specific disclosures regarding conflicts of interest when the potential for such conflicts exists. See "**Other Financial Industry Activities & Affiliations**" above.

When applicable, VCM aggregates and allocates investment opportunities amongst its clients by applying such considerations as it deems appropriate, including the client's relative size, amount of available capital, size of existing positions in the same or similar securities, leverage and other factors. VCM will attempt to allocate investment opportunities pro rata, when possible, among participating clients. VCM may, however, increase or decrease the amount of securities allocated to each account if necessary to avoid holding odd-lot or small numbers of shares for particular clients. Additionally, if VCM is unable to fully execute a batched transaction and it is determined that it would be impractical to allocate a small number of securities/investments among the participating accounts in the transaction on a pro-rata basis, VCM may allocate such securities/investments in a manner determined in good faith to be a reasonable and fair allocation.

VCM's principals devote as much of their time to the business of VCM as in their judgment is reasonably required, but are not required to devote a particular amount of time to this business. As described above, some of the principals are currently involved in other business ventures (including FTCS) and/or may organize or become involved in other business ventures in the future. VCM clients will not share in the risks or rewards of such other ventures, which may compete with current investments made by VCM clients for



the time and attention of the principals and therefore create additional conflicts of interest.

## **Brokerage Practices**

### **Recommending Brokerage Firms**

In selecting a broker or dealer, VCM may consider, among other things, the broker or dealer's execution capabilities, reputation and access to the markets for the securities being traded. Other considerations include the amount of transaction costs, the quality of execution, the expertise in particular markets, the experience and financial stability of the firm, the availability of stock loans, the quality of service, the familiarity both with investment practices generally and the techniques employed by VCM particularly, the research and analytic services, clearing and settlement capabilities. VCM generally will seek competitive commission rates but will not necessarily attempt to obtain the lowest possible transaction commission. VCM will arrange for the execution of securities transactions through brokers or dealers that it reasonably believes will provide "best execution". VCM seeks to execute client transactions in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances.

VCM participates in the institutional adviser program offered by TD Ameritrade Institutional ("TD Ameritrade") and has a relationship with the advisory services division of Charles Schwab & Co., Inc. ("Schwab"). Each of TD Ameritrade and Schwab is a registered broker/dealer and member of FINRA/SIPC, and unaffiliated with VCM. These firms offer institutional platforms to advisers which include custody of securities, trade execution, clearance and settlement of transactions. VCM typically recommends that clients establish brokerage accounts with TD Ameritrade or Schwab to maintain custody of client assets and to effect trades in their accounts.

TD Ameritrade and Schwab each provides VCM with access to its institutional trading and custody services, which are typically not available to their retail investors. That includes access to a trading desk serving VCM clients, block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts), and an electronic communications network for client order entry and account information. In addition, these services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. These services are not otherwise contingent upon VCM's commitment to any specific amount of business (i.e., assets in custody or trading). These services generally are also available to independent investment advisers on an unsolicited basis, at no charge to them, so long as a total of at least \$10 million of VCM's clients' assets are maintained in accounts at these brokers.

By availing itself of these institutional platforms, VCM and its affiliates may receive products and services (provided without cost or at a discount) that benefit VCM but may not directly benefit VCM's clients' accounts, but which may assist VCM in managing and administering those accounts. These include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements), (ii) facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), (iii) provide research, pricing information, and other market data, (iv) facilitate payment of VCM's fees from client accounts, and (v) assist with back-office functions, recordkeeping and client reporting. These platforms also provide discounts on compliance, marketing, research, technology and practice management products or services provided to VCM by third party vendors.

Both TD Ameritrade and Schwab also make available to VCM other services intended to help VCM manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, they may make available, arrange and/or pay for these types of services rendered to VCM by independent third parties. TD Ameritrade and Schwab may discount or waive fees that they would

otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to VCM. VCM endeavors to act in its clients' best interests; however, VCM's recommendation that clients maintain their assets in accounts at these brokers may be based in part on the benefit to VCM of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by the brokers.

VCM receives some benefits from TD Ameritrade through its participation in TD Ameritrade's AdvisorDirect program and Schwab through its participation in the Schwab Advisor Network® as described more fully below.

### **Order Aggregation**

As a matter of general policy and practice, VCM will aggregate transactions for its advisory clients where practicable, except in the case of alternative investments. Aggregating transactions allows the trading of aggregate blocks of securities from multiple client accounts. Generally, aggregating client transactions allows VCM to execute transactions in a more timely, efficient and equitable manner and to seek best execution and/or to reduce commission charges.

VCM may not necessarily apportion shares to participating clients in equal percentage amounts, but endeavors to achieve balance where possible. Additionally, VCM may aggregate trades of its advisory personnel with those of clients so that firm personnel participate alongside clients in such trades. In general, VCM will endeavor to make all investment allocations in a manner that it considers to be the most equitable to all managed entities and clients. All participants in an aggregated trade generally will be allocated securities on a pro rata, average price per share basis, subject to adjustment if necessary to avoid holding odd-lot or small numbers of shares for particular clients.

### **Trade Errors**

VCM has policies and procedures in place to minimize the occurrence of trade errors and, should a trade error occur, detect and correct such trade errors in a timely manner. While the method of correction may vary depending on the nature of the error, the intent is to make the client whole.

### **Review of Accounts**

VCM reviews each client account at least quarterly but may review accounts more often if investment conditions require. Accounts are reviewed by VCM's principals or chief investment officers (or their designees), who will also monitor economic, investment and market conditions that might dictate changes in strategy or portfolio holdings. VCM will attempt to contact each client at least annually but will meet with each client more often, if needed, to review investment needs and to provide economic analysis, performance review, and other pertinent information.

Clients receive confirmation notifications from the custodian for all transactions. Clients also have access to monthly custodial statements providing a summary of account transactions.

Clients with assets in private funds receive a quarterly report reflecting the estimated net asset value of the investor's capital account as of the end of the quarter; some private funds may report more frequently. In addition, clients will receive a copy of the applicable fund's annual audited financial statements within one hundred and twenty (120) days after fiscal year end, or one hundred and eighty (180) days after fiscal year end in the case of "fund of funds".

## **Client Referrals & Other Compensation**

### **TD Ameritrade AdvisorDirect**

As described above, VCM participates in TD Ameritrade's institutional customer program. VCM may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between VCM's participation in this program and the investment advice it gives to its clients, although VCM receives benefits through its participation in the program.

VCM may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, VCM may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisers. TD Ameritrade does not supervise VCM and has no responsibility for VCM's management of client portfolios or VCM's other advice or services. VCM pays TD Ameritrade an on-going solicitation fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to VCM. VCM will also pay TD Ameritrade the solicitation fee on any advisory fees received by VCM from any of a referred client's family members who hire VCM on the recommendation of the referred client. VCM does not charge clients referred through AdvisorDirect any fees or costs higher than its standard client fee schedule or otherwise pass solicitation fees paid to TD Ameritrade to its clients.

Advisor's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade most likely refers clients through AdvisorDirect to investment advisers that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, VCM may have an incentive to recommend to clients that the assets under management by VCM be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. VCM has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when required to do so. VCM's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts. In connection with the acquisition of TD Ameritrade by Schwab, beginning April 1, 2022, VCM will no longer receive new referrals from TD Ameritrade through AdvisorDirect, although VCM may still onboard clients referred prior to that date. After April 1, 2022, all new referrals will be made through the Schwab Advisor Network® described below.

### **Schwab Advisory Network®**

VCM also receives client referrals from Schwab through VCM's participation in Schwab Advisor Network® (the "Network"). VCM may recommend Schwab to clients for custody and brokerage services. There is no direct link between VCM's participation in the Network and the investment advice it gives to its clients, although VCM receives benefits through its participation in the Network.

The Network is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with VCM. Schwab does not supervise VCM and has no responsibility for VCM's management of clients' portfolios or VCM's other advice or services. VCM pays Schwab fees to receive client referrals through the Network. VCM's participation in the Network raises potential conflicts of interest described below.

VCM pays Schwab a participation fee on all referred clients' accounts that are maintained in the custody at

Schwab and a separate one-time transfer fee on all accounts that are transferred to another custodian. The transfer fee creates a conflict of interest that encourages VCM to recommend that client accounts be held in custody at Schwab. The participation fee paid by VCM is a percentage of the value of the assets in the client's account. VCM pays Schwab the participation fee for so long as the referred client's account remains in custody at Schwab. The participation fee and any transfer fee is paid by VCM and not by the client. VCM has agreed not to charge clients referred through the Network fees or costs greater than the fees or costs VCM charges clients with similar portfolios who were not referred through the Network.

The participation and transfer fees are based on assets in accounts of VCM's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, VCM will have incentives to recommend that client accounts and household members of clients referred through the Network maintain custody of their accounts at Schwab.

### **Other Third Party Referrals**

VCM may also compensate third parties for client referrals. Under this arrangement, VCM pays a portion of the referred client's management fee earned by VCM to the referring party. The referral fee will be paid entirely by VCM and not the referred client. A conflict of interest exists between the solicitors' referral of clients to us and their receipt of fees for such referral and the conflict is fully disclosed to clients.

### **Custody**

Under Rule 206(4)-2 under the Advisers Act, VCM is deemed to have custody of client assets in certain circumstances where VCM is appointed investment advisor under discretionary agreements and clients maintain standing letters of authorization to move money under their agreements with qualified custodians. These assets under advisement are held by unaffiliated qualified custodians such as TD Ameritrade and Schwab. These qualified custodians provide clients with statements showing all trades, holdings and other transactions at least quarterly. VCM urges clients to compare the statements provided by their custodians or unaffiliated fund managers with the reports provided by VCM. In cases where VCM is deemed to have custody, VCM engages a third-party unaffiliated auditor to conduct an annual surprise asset verification examination.

### **Investment Discretion**

#### **Discretionary Trading Authority**

Generally, VCM is retained on a fully discretionary basis and is authorized to determine and direct execution of portfolio transactions pursuant to the terms of the investment management agreement and other documents executed between VCM and each client. The terms upon which VCM serves as an adviser are established at the time each client retains VCM as their investment manager. Unless otherwise set forth in writing between VCM and the client, VCM is not required to contact a client prior to transacting any business once such client executes these documents.

If a VCM client opts not to have some or all of its account assets managed on a discretionary basis, those assets must be identified at the onset of the relationship and will be held and reported upon as non-discretionary assets. VCM will not execute transactions involving a non-discretionary asset without first contacting the client and receiving the client's explicit approval to move forward with each such transaction.

VCM does not exercise discretion over individual client accounts' investments in private funds, including the First Trust Private Funds or the Cornerstone Fund. Each client investing in any of these funds determines whether and how much to invest, and in which class(es) to participate.

VCM has complete discretionary authority to manage the Cornerstone Fund's investment portfolio pursuant to the fund's organizational documents.

### **Limited Power of Attorney**

Clients who have granted discretionary trading authority to VCM grant a "limited power of attorney" to VCM over clients' custodial account(s) for purposes of trading and fee deduction.

### **Voting Client Securities**

VCM generally votes proxies for its clients on all matters when VCM has discretionary investment authority over the client's account. VCM does not vote proxies for client accounts that are non-discretionary. When VCM clients retain authority and responsibility to vote proxies with respect to their investments, they will receive proxy information from their custodians and may contact VCM about a particular solicitation and receive assistance from VCM personnel.

When VCM votes proxies on a client's behalf with respect to accounts over which VCM has discretionary investment authority, VCM votes in accordance with its Proxy Voting Policy, a copy of which is available from our Chief Compliance Officer upon request. VCM's Proxy Voting Policy is based on the principle that proxies are voted in the best long-term economic interest of the client. VCM maintains records pertaining to its proxy voting as required under the Advisers Act. Clients may contact our Chief Compliance Officer for information pertaining to how VCM voted the client's proxies on any specific proxy issue. In addition, clients may inform VCM in writing that they want to vote one or more proxies themselves, and may also at any time instruct VCM to vote proxies per their direction by sending instructions in writing to the Chief Compliance Officer.

As noted under "**Fees and Compensation**" above, VCM may utilize Affiliated Funds (including mutual funds or ETFs advised by FTCM) as a component of a client's investment strategy. When VCM has voting authority with respect to proxies solicited by Affiliated Funds, it votes those proxies in accordance with VCM's Proxy Voting Policy.

The Cornerstone Fund invests predominantly in unaffiliated private funds rather than publicly traded securities, so VCM does not exercise proxy voting authority for these investments in the conventional sense. From time to time private fund managers seek consent from their fund investors, including the Cornerstone Fund. VCM's investment team will carefully evaluate all such proposals and seek to act in the Cornerstone Fund's best interests.

### **Financial Information**

VCM has no financial commitment that impairs its ability to meet contractual or any other obligations to clients, and has not been the subject of a bankruptcy proceeding.