



**PATHSTONE**  
THE FAMILY OFFICE<sup>SM</sup>

## BROCHURE

MARCH 31, 2025

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This Brochure provides information about the qualifications and business practices of Pathstone Family Office LLC, doing business as Pathstone. If you have any questions about the contents of this Brochure, please send inquiries to Bliss Bernal, Chief Compliance Officer at [compliance@pathstone.com](mailto:compliance@pathstone.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Pathstone is a registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training.

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

## ITEM 2. MATERIAL CHANGES

The Brochure provides important information about Pathstone's business practices as well as a description of potential risks and conflicts of interest relating to the firm's advisory business and investment activities that could affect a client's account.

This Brochure contains comprehensive updates in Items 4-17 since Pathstone's last annual amendment of Form ADV dated March 28, 2024. These revisions include descriptions of the acquired businesses of Veritable, LP (CRD #130758) and its Related Person Cambrian Capital Management, LLC (CRD #324623), Crestone Asset Management LLC (CRD #108581), and Hall Capital Partners LLC (CRD #106759) and current business policies and practices associated with legacy firms and preliminary efforts to integrate the combined businesses where applicable.

Pathstone Family Office, LLC ("Pathstone"), made some recent changes to Pathstone's Legal and Compliance Team. Charles P. Keates, the former interim General Counsel and Chief Compliance Officer, has now been named Pathstone's General Counsel. Additionally, Bliss Bernal, who served as a Senior Compliance Officer at Pathstone, has now been named Pathstone's Chief Compliance Officer. Both the General Counsel and Chief Compliance Officer are members of the Pathstone Compliance Group ("PCG"), the compliance team that coordinates all compliance activities related to Pathstone and its affiliates.

We encourage clients and prospective clients to review this Brochure carefully and to request further details on how we service our clients and/or any other topic described herein. The information contained herein is subject to change as Pathstone continues to integrate and update its legacy organizations' business practices, services, processes and systems.

### ITEM 3. TABLE OF CONTENTS

Item 2. Material Changes	2
Item 3. Table of Contents	3
Item 4. Advisory Business	4
Item 5. Fees and Compensation	11
Item 6. Performance-Based Fees and Side-By-Side Management	19
Item 7. Types of Clients	20
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss	21
Item 9. Disciplinary Information	45
Item 10. Other Financial Industry Activities and Affiliations	46
Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	54
Item 12. Brokerage Practices	57
Item 13. Review of Accounts	60
Item 14. Client Referrals and Other Compensation	61
Item 15. Custody	62
Item 16. Investment Discretion	63
Item 17. Voting Client Securities	64
Item 18. Financial Information	64

## ITEM 4. ADVISORY BUSINESS

### A. INTRODUCTION

Pathstone Family Office, LLC (“Pathstone,” the “firm,” “we,” “our,” or “us”) is an integrated wealth management organization serving ultra-high-net-worth (“UHNW”) families, single family offices, endowments, foundations, and other clients. Pathstone provides a broad range of investment advisory and professional services to its clients.

As a registered investment adviser, Pathstone primarily focuses on complex wealth management solutions for UHNW families and other clients providing investment advice, manager sourcing and selection, asset allocation, investment policy and portfolio construction or other types of investment consulting services on a discretionary and non-discretionary basis for the benefit of advisory clients and Pathstone’s unregistered pooled investment vehicles (“Affiliated Funds”). In addition to these services, the firm offers a wide range of non-investment wealth management services and solutions (“Professional Services”), including, without limitation, expense and cash management, financial reporting, wealth and estate planning, concierge services, philanthropic management, and tax compliance/tax return preparation to name a few. Specific services arrangements are agreed upon in written agreements with the applicable client depending on the client’s unique preferences.

Pathstone was founded in 2010 and expanded organically and through strategic acquisitions as it evolved to meet the needs of our clients. Today we employ approximately 750 employees across 22 offices in the United States, including affiliates. Collectively, inclusive of acquired legacy organizations, we have provided advisory services to clients since 1986.

Pathstone is privately owned with partner participation through equity ownership, which is the foundation of the firm’s culture and character and a significant driver of the firm’s expansion. Additionally, the firm’s equity ownership includes investment vehicles controlled by Kelso & Company (“Kelso”) and Lovell Minnick Partners, LLC (“LMP”), and certain Pathstone clients, in each case through intermediate subsidiaries. Please see Item 10 for additional information regarding ownership.

As of December 31, 2024, Pathstone managed \$62,621,087,885 of discretionary assets and \$37,823,049,616 of non-discretionary assets for a total of \$100,444,137,501 regulatory assets under management (“RAUM”) as reflected in Form ADV, Part 1A, Item 5F (“Item 5F of Part 1A”).

#### **Observations Regarding Pathstone Client Asset Categories of Regulatory Assets Under Management, Assets Under Advisory and Assets Under Administration**

Pathstone may identify or refer to different client asset categories in various client deliverables, filings, agreements and other materials as “Regulatory Assets Under

Management,” “Assets Under Advisory,” or “Assets Under Administration” (or “Reporting-Only Assets”) for the purpose of reporting or describing these categories to clients or regulators. This is not a complete or exhaustive list, but rather a small sampling of the various descriptions that may be used to describe client asset categories within firm materials. Additionally, the firm utilizes different legacy reporting practices across certain offices resulting in unique client identifiers, names, or descriptions of advisory asset categories, in part due to the integration of multiple legacy organizations, portfolio accounting systems, client relationship management (“CRM”) software and client reporting preferences such that some client assets may be assigned to different categories depending upon the legacy practices of a particular office. Additionally, please note that the aggregate values reported on each category may be significantly different, such that one category may be much larger or smaller than another. Lastly, each category may be shown separately or together (*e.g.*, aggregated) depending upon the facts and circumstances as well as the firm’s needs.

**Regulatory Assets Under Management (“RAUM”).** For calculating the firm’s RAUM in Item 5F of Part 1A, Pathstone includes the securities portfolios for which we provide continuous and regular supervisory or management services. Generally, continuous and regular supervisory or management services apply to accounts over which Pathstone has discretionary authority or, in the case of non-discretionary authority, Pathstone has ongoing management responsibility to make recommendations to buy or sell securities in securities portfolios and subsequently arranges such purchase or sale activity. Furthermore, to the extent clients grant Pathstone discretion to hire and fire unaffiliated, third-party managers, these assets are included in our RAUM calculation. Typically, such authority is set forth in written agreements with each client. Additionally, accounts for which we provide continuous and regular supervisory or management services, but do not receive compensation, are included in RAUM.

**Assets Under Advisory (“AUA”).** For calculating the firm’s AUA, Pathstone includes assets where we provide advice or consultation but do not otherwise provide continuous and regular supervisory or management services. Such services include, for example, financial planning, 401(k) allocation reviews, or other consulting services where the assets are used for informational purposes to gain a full perspective of a client’s financial situation, but Pathstone does not have direct trading activity or authority over the securities portfolios.

It is important to note that Pathstone may include certain client assets in the AUA calculation where Pathstone provides holistic advice or oversees all or a portion of the securities portfolios’ positioning, sizing, or performance, but the firm may only be acting on a portion of the securities portfolios. For example, in a situation where Pathstone advises on the whole client relationship, but a portion of the securities portfolios is

directly managed by an unaffiliated third-party investment adviser or consultant, Pathstone may include such client assets in its AUA calculation.

**Assets Under Administration (Reporting-Only Assets).** Subject to the terms of a client's written agreement, Pathstone may track certain assets separately and apart from RAUM and AUA in a category referred to broadly herein as "Reporting-Only Assets." These reporting-only situations may vary by office and involve the tracking of positions, size, performance and other securities portfolio information across the legacy organizations' portfolio accounting systems and CRM software. The reports may be designed and tailored to a specific client's reporting preferences. These reporting services are charged fees differently depending upon the scope and size of the tracking required and do not involve Pathstone providing continuous and regular supervisory or management services over such Reporting-Only Assets or involve situations where Pathstone has the authority or ability to effect changes in securities portfolios. Lastly, certain balance sheet assets may be tracked as Reporting-Only Assets and therefore are not included in RAUM or AUA.

#### **Observations Regarding the Methodology for Computing Number of Clients and Accounts**

Pathstone may describe or refer to advisory clients in various materials, deliverables, regulatory filings, and agreements as "client relationships," "family relationships," "client accounts," or "client portfolios" depending upon the context and the reporting needs. This is not a complete or exhaustive list, but rather a small sampling of the various descriptions that may be used to describe advisory clients throughout firm materials. As noted above, the firm utilizes different legacy reporting practices across certain offices resulting in unique client identifiers, names, or descriptions of advisory clients, in part due to the integration of multiple legacy organizations, portfolio accounting systems, CRM software and client reporting preferences (e.g., flash estimates, monthly, quarterly, or other periodic reporting requirements of advisory clients). As a result, with respect to the number of clients listed in Item 5C of Pathstone's Form ADV Part 1A ("Item 5C of Part 1A"), Pathstone includes each family relationship and each Affiliated Fund in the client count but excludes limited partners of these pooled investment vehicles that are not otherwise advisory clients of Pathstone. Additionally, for purposes of Item 5C of Part 1A, Pathstone generally does not separately count each sub-family relationship. Sub-family relationships are often grouped together using internal criteria such as the consolidation of related individuals and family entities covered under the same periodic reports, investment policies and/or agreements. A counting of each sub-family relationship, or alternatively each account, would result in a number much higher than the actual number of family relationships. With respect to the "Total Number of Accounts" in Item 5F of Part 1A, Pathstone generally counts each individual custody or prime broker account for each sub-family relationship, including individuals and family-related entities; where appropriate based on the nature of a legacy acquired advisory

business and reporting practices, an account reported in Item 5F of Part 1A refers to a single client advisory relationship that may encompass a group of related individuals or entities. One unintended outcome of this methodology is that dividing the total discretionary AUM by the number of accounts in Item 5F of Part 1A (or the number of clients listed in Item 5C of Part 1A) results in an arithmetic average of AUM for each family relationship much smaller than the actual numerical average.

**Pathstone Affiliates.** Pathstone is affiliated by common control and ownership with the following companies whose services are offered to Pathstone clients. Willow Street Trust Company of Wyoming, LLC, a trust company, and Willow Street Group, LLC, a fiduciary services firm (collectively, referred to herein as “Willow Street”) and Laurel Trust Company (“LTC”) provide professional solutions for the administration, management, and stewardship of assets. Advisor Partners II, LLC (CRD #321633) (“AP II”) is a separately registered investment adviser providing discretionary sub-advisory services through two distinct investment programs and model portfolio management services. Cambrian Capital Management, L.L.C. (CRD #324623) (“Cambrian”) is a separately registered investment adviser that sponsors anchor investments with highly qualified portfolio managers who are interested in starting their own private equity firms. Please see AP II’s and Cambrian’s separate Form ADVs for additional details available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Additionally, certain private funds sponsored by Pathstone or its affiliates, are considered Pathstone affiliates (“Affiliated Funds”). Furthermore, related affiliated entities that serve either as the general partner, portfolio manager, investment manager, investment adviser, sub-adviser, administrative manager, or in other similar types of investment, administrative or operational service roles on behalf of Pathstone’s Affiliated Funds program are treated as Pathstone affiliates. Please see Item 10 for additional details as well as Form ADV Part 1A under Item 7.A. Financial Industry Affiliations and Item 7.B. Private Fund Reporting for a complete list of Pathstone’s Affiliated Funds and affiliated entities related to such funds.

Furthermore, Pathstone has entered into separate service agreements with its affiliates to cover certain services for their benefit such as shared compliance, financial reporting, human resources, and information technology resources, to name a few, in part to provide better economies of scale and gain other efficiencies through these shared services arrangements. This is not an exhaustive or complete list, as the nature, scope, and amount of these services that are utilized differ between affiliates.

**Pathstone Unaffiliated, Third-Party Service Provider Relationships.** Lastly, Pathstone has entered into certain service agreements with unaffiliated, third-party service providers (*e.g.*, commonly referred to as “white label agreements” or other “service agreements”) in situations where Pathstone either provides or receives services from

these partners. Please see Item 10 for additional information regarding Pathstone's affiliates and other third-party service provider arrangements.

## B. INVESTMENT SERVICES

Pathstone's investment services are designed to establish and foster close working and long-term client relationships that are customized in accordance with each client's unique circumstances, asset base, financial goals, investment objectives, and risk tolerance. The firm manages portfolios on either a discretionary or non-discretionary basis, and clients may impose certain restrictions on investing in particular securities or types of securities.

In general, Pathstone builds and manages investment portfolios that span the full range of our global multi-asset class capabilities. Pathstone (directly or through its affiliates or certain unaffiliated service providers) also manages or advises the Affiliated Funds that provide various commingled investment strategies for advisory clients and investors. The Affiliated Funds are managed according to the investment objectives, policies and guidelines set forth in the respective Affiliated Fund's offering and governing documents.

Professional Services-only clients and investors in the Affiliated Funds who do not otherwise engage Pathstone for investment services are generally not eligible for the other investment services described in this Brochure. Please see Item 5 for a discussion of fees and expenses associated with the Affiliated Funds.

As part of the portfolio construction and ongoing management, Pathstone will execute certain trades directly on behalf of advisory clients' accounts. Such trading activity is coordinated through certain trading and operational groups and is limited by office location (*e.g.*, the Capital Markets group and Philadelphia-based trading group). Such trading activity typically includes the purchase of cash or cash equivalent instruments, equity and debt securities, exchange traded funds, mutual funds as well as other types of publicly traded securities. Clients may also invest, directly and/or through Affiliated Funds, with a wide spectrum of unaffiliated or affiliated "underlying managers" or "sub-advisors" that manage various types of onshore and offshore private fund structures, separate accounts, mutual funds, closed-end registered investment companies, or exchange-traded funds.

Pathstone specializes in sourcing and selecting underlying managers and in allocating capital globally across investment strategies and asset classes. The firm employs research and operational teams that are responsible for monitoring the capital markets, identifying investment opportunities and risks, and conducting due diligence on underlying managers. Pathstone may provide clients with periodic investment-related white papers, research memoranda, articles related to asset allocation and investment



policy development, and other similar types of materials included with its advisory services.

Pathstone's investment services generally include the following core elements:

1. Identifying the client's investment objectives and risk tolerance,
2. Developing and documenting asset allocation, investment policy and investment strategy for complicated pools of capital,
3. Constructing client portfolios to implement the investment strategy, and
4. Providing investment management, execution and administration, monitoring, portfolio accounting, and reporting on the client's portfolio.

In implementing a client's investment strategy, portfolios are generally constructed according to client-specific written guidelines and are managed or advised by one or more of the firm's client advisors (*i.e.*, client facing professionals who interact with advisory clients and their other service providers such as legal, accounting, tax or other third-party professionals) (herein described as "Client Advisors"). The scope of investment services, investment strategies employed, asset class allocation, and availability of specific investments will vary depending on the client engagement and other factors. In some client engagements the firm may utilize portfolio models provided by a third-party provider as appropriate for such clients' asset base, investment objectives, and liquidity needs, among other factors.

Client Advisors also recommend Pathstone affiliate services to clients. For example, AP II builds customized portfolios for clients utilizing separately managed accounts ("SMAs"). AP II's services include any combination of the following: tax loss harvesting overlays; Environmental, Social, and Governance (ESG) overlays; factor tilts; implementation of client-driven asset allocations and custom index exposures; and additional portfolio constraints. Please see Item 5 for a discussion of fees and expenses associated with AP II's services.

Pathstone is also the investment adviser to an open-ended mutual fund, WOA All Asset I ("WOAIX" or the "Mutual Fund"), which is a fund-of-funds and primarily invests in other pooled vehicles such as ETFs, exchange-traded notes (ETNs), open-end and closed-end funds, and certain individual securities and futures. Unless otherwise agreed to by the parties in the advisory agreement, Pathstone may invest a client's assets in the Mutual Fund.

Pathstone does not sponsor or offer or participate in wrap fee programs. However, to the extent a client retains one or more services provided by AP II, please be advised that AP II does serve as a portfolio manager for wrap fee programs unaffiliated with Pathstone.

### C. PROFESSIONAL SERVICES

Pathstone offers clients a variety of Professional Services to assist them in addressing many of the complex opportunities and challenges that can arise in the stewardship of their wealth. These Professional Services are generally targeted towards the firm's UHNW families and their family-related entities. However, they are also available and adapted as needed for other clients, such as investment limited partnerships, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations and other business entities. Engagements are tailored to each client's preferences or needs and based upon the services selected.

Our Professional Services offerings, all staffed by in-house professionals, include the following:

**Accounting-Related Services:** Comprehensive bill pay and cash management; financial reporting (e.g., client P&L, balance sheet, cash flow); household payroll administration, etc.

**Tax-Related Services:** Tax preparation for individuals, trusts, foundations, and investment entities; active, ongoing income tax planning and after-tax optimization; audit defense and notice administration; tax-related research, etc.

**Wealth Preservation Planning Related Services<sup>1</sup>:** Strategy and execution for estate planning, trust services, financial modeling, retirement planning, life/long-term care insurance and transition planning; family governance and engagement, philanthropy; family governance and communications, learning and development, succession planning; philanthropic strategy and support, including foundations and other giving vehicles, etc.

**Risk Management-Related Services:** Risk identification and coordinating solutions for management and mitigation, including holistic risk assessment; excess liability & workman's compensation; Medicare and medical insurance; travel insurance; personal security consulting; property & casualty insurance, etc.

**Extended Family Office Services:** Family office structuring and administrative support; family office succession planning; elements of Pathstone's "personal CFO" offering (lifestyle management services, financial property management); and other custom consulting services.

These Professional Services are typically offered on an *a la carte* basis; with the specific services provided and associated fees set forth in the client engagement agreement.

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<sup>1</sup> Pathstone does not offer legal advice. Pathstone will, at a client's direction and approval, work with the client's existing legal professionals to assist in these services.

Pathstone may recommend its services and/or other professionals to clients. A conflict of interest exists if Pathstone recommends its own services. The client is under no obligation to accept or act on any of the recommendations made by Pathstone under a family office/consulting engagement and/or engage the services of any recommended professional, including Pathstone. We encourage clients and prospective clients to consult with their personal attorney and/or accountant prior to adopting any recommendations or engaging in any of these services.

## ITEM 5. FEES AND COMPENSATION

Pathstone receives compensation for a broad range of investment advisory and other Professional Services it provides to its advisory clients pursuant to various written agreements depending upon the type of services selected. The client selects the preferred service at the time of onboarding and may add or subtract services over the course of the relationship subject to the terms of each agreement. For this reason (among others), the services selected may be documented in one or more agreements (*e.g.*, a client may have separate agreements with Pathstone for advisory services and Professional Services or separate agreements across various family-related entities). Each agreement sets forth the terms and conditions of the engagement, the scope of the services to be provided, and the specific manner in which fees are charged by Pathstone.

A general description of the broad categories of services and the fee arrangement types are set forth in the fee schedule below. Depending on the Services selected, Pathstone may charge either an asset-based fee with fixed or tiered percentage points and/or breakpoints, a fixed or flat fee, a management fee, a performance fee, a comprehensive fee, a revenue share arrangement, a time/materials-based fee, or other types of fee arrangements in its discretion (collectively, the “Fee Arrangements”). The nature, rate, timing (*e.g.*, payable monthly, quarterly or annually, in advance or in arrears), method of calculation and manner of payment of the Fee Arrangements are agreed upon in the applicable written agreement. Fee Arrangements are negotiable depending on the facts and circumstances of each engagement, such as the size, complexity, and scope of the relationship contemplated. This may result in different clients paying less or different Fee Arrangements. Pathstone’s fee schedule has been revised in the past and is subject to change.

**[Intentionally left blank – please see Pathstone’s Fee Arrangements Below]**

ITEM 5. FEES AND COMPENSATION SCHEDULE	
<i>Broad Categories of Services*</i>	<i>Fee Arrangement Types **</i>
<b>INVESTMENT-RELATED SERVICES SUMMARY</b>	
Investment Advisory	Asset based fee with fixed or tiered percentage and/or breakpoints; fixed/flat fee; performance based fee, etc.
Investment Reporting	Asset based fee with fixed or tiered percentage and/or breakpoints or fixed/flat fee.
Investment Administration	Asset based fee with fixed or tiered percentage and/or breakpoints or fixed/flat fee.
<b>PROFESSIONAL SERVICES SUMMARY</b>	
<b>ACCOUNTING-RELATED SERVICES - PERSONAL CFO SERVICES</b>	
Banking, Bill Payment Services, Vendor Management, Payroll, Concierge, etc.	Fixed/flat fee.
Family Office Structure and Financial Reporting	Fixed/flat fee.
<b>TAX-RELATED SERVICES</b>	
Tax Compliance, Audit Defense, Research, etc.	Time & materials based on fixed/flat rate or fixed/flat fee.
<b>WEALTH PRESERVATION PLANNING RELATED SERVICES</b>	
Financial, Tax & Estate Planning, Philanthropy, Insurance, etc.	Fixed/flat fee.
<b>RISK MANAGEMENT RELATED SERVICES</b>	
Insurance Related (Medical, Travel, Personal Security, Property & Casualty)	Fixed/flat fee.
<b>EXTENDED FAMILY OFFICE SERVICES</b>	
Property Management, Debt Management, Financial Analysis, Family Office Administration, Aviation Advice, etc.	Fixed/flat fee.
<b>PRIVATE FUND SPONSORSHIP OR SUB-ADVISORY RELATIONSHIP - AFFILIATED FUNDS</b>	Asset based fee with fixed or tiered percentage and/or breakpoints; fixed/flat fee; performance based-fee, revenue share, etc.
<i>*Categories listed are illustrative samples - not all services are shown under each category.</i>	
<i>**Fee arrangements are negotiable depending upon the facts and circumstances of each engagement such as size, complexity and scope of the relationship contemplated. Fee arrangements shown are provided for illustrative and informational purposes only.</i>	

Fee Arrangements typically begin to accrue as of the effective date of the fully executed agreement unless otherwise agreed to by the parties. To the extent that related parties (e.g., family members or related entities) are covered by the same agreement, the Fee Arrangements will generally be allocated among such parties on a *pro rata* basis (i.e., in proportion to the respective AUM of such related parties), equal-weighted basis, or as otherwise agreed to by the parties. With respect to billing arrangements, to the extent certain related parties wish to be treated differently for billing purposes, such differential treatment will typically be reflected in the relevant agreement or an addendum or amendment thereto. For example, a family member may elect to bear the Fee Arrangements for other family members or family related entities. Therefore, invoicing and account debiting arrangements are customizable to suit each client's preferences. Fee Arrangements are typically deducted automatically from specified client accounts; however, arrangements may be made to invoice clients directly.

### **Observations Regarding Prospective Clients & the Time Period Before Client Onboarding Process**

Pathstone has developed an interactive learning experience for prospective clients ("prospects") that typically begins with high-level introductory conversations about the firm and its services. These conversations may evolve into more detailed and comprehensive discussions that may ultimately lead to our client onboarding process (collectively referred to herein as the "Interactive Learning Experience").

If a prospect determines to move forward with a more detailed series of conversations, the prospect or its representatives will typically provide Pathstone enough information for the firm to prepare a detailed analysis (or similar workpaper) of the prospect's needs. During this Interactive Learning Experience, Pathstone generally provides an estimated pricing level of the overall engagement and/or an individual break-out of costs for each service once the prospect's full financial picture and needs are assessed. The timing, presentation, and delivery of fee information to prospects may differ between offices. Additionally, due to the number and complexity of different legacy organizations' fee schedules and services, Pathstone does not provide a percentage or dollar range of fees in its Form ADV. Ultimately, Pathstone's Interactive Learning Experience is designed to assist and inform prospects about our firm and Pathstone Services before client engagement. Pathstone may refine the Interactive Learning Experience to suit the needs of a particular prospect before client onboarding.

### **Affiliated Funds**

Pathstone is compensated for certain portfolio management, investment management, investment advisement, administrative management, or other similar types of investment, administrative or operational services that it provides as sponsor, manager or sub-advisor

to the Affiliated Funds program. The nature, rate, method of calculation and manner of payment of the fees charged for these services is disclosed in the offering or governing documents of each Affiliated Fund in which a client or other limited partner invests. Both clients and non-client limited partners in Affiliated Funds also generally bear their proportionate share of the Affiliated Funds' organizational and operating expenses, which are set forth in the offering or governing documents of the applicable Affiliated Fund. Fees and expenses associated with an Affiliated Fund are typically deducted from the Affiliated Fund's assets. The general partner of an Affiliated Fund may, in its sole discretion, agree to accept an alternative fee arrangement with respect to any fund investor or limited partner, to the extent permitted under the applicable governing documents.

It is important to note that due to the unique nature, large number, and different types of terms and conditions set forth in each Affiliated Fund's offering and governing documents, all information related to Pathstone's Affiliated Funds program provided herein is qualified in its entirety by reference to each Affiliated Fund's respective offering and governing documents and a prospect cannot exclusively rely on a summary or partial description of any fund related information contained herein, especially regarding each Affiliated Fund's particular Asset or Incentive-Based Fees (defined below).

### **Clients Who Invest in Affiliated Funds**

Pathstone will at times advise a client to invest in one or more Affiliated Funds. As a result, depending on the terms of the applicable offering or governing documents for each Affiliated Fund, a client may be subject to additional fees (*e.g.*, a management fee, comprehensive fee, performance fee, revenue sharing arrangement, or some other similar type of asset or incentive-based fees) (collectively, referred herein as "Asset or Incentive-Based Fees") that are charged at the Affiliate Fund level. These fees are separate and distinguishable from the investment advisory or other Professional Services fees that are charged on the Pathstone services selected by the client.

In general, for investment advisory clients who invest in Affiliated Funds that charge Asset or Incentive-Based Fees, the client may be afforded a fee discount or fee break mechanism depending upon the terms and conditions of the offering and governing documents of such Affiliated Fund. As a result, the applicable Asset or Incentive-Based Fees may be waived, rebated or reduced in some instances. In certain instances, the fee discount or fee break consideration may be achieved by offering a "no-management fee" share class or category type within the fund, or in other circumstances, it may be identified as a "fee offset," "fee rebate," "fee credit," "fee adjustment" or other similar type of fee consideration (collectively, "Fee Breaks") as reflected in the workpapers, books or records of the Affiliated Fund. Alternatively, Fee Breaks may be identified outside the Affiliated Fund and reflected in invoices, fee schedules or other client documents or agreements as part of the client's broader Pathstone billing arrangements.

As a result, Fee Arrangements with clients include different Fee Breaks, and in some cases do not involve Fee Breaks. So, for example, certain existing, long-term or other advisory relationships in legacy organizations may be subject to different legacy fee schedules and may not receive Fee Breaks pursuant to the relevant terms of each client's agreement.

In general, Fee Breaks are offered to clients who retain Pathstone to provide investment advisory services and apply during the term of the advisory relationship with the firm. If the client terminates its advisory relationship with the firm, it often cannot concurrently redeem or withdraw from the Affiliated Fund (*e.g.*, in the case of an illiquid private fund), in which case the former client may be transferred into a fee-paying category, as applicable, and will pay only the Affiliated Fund fees and expenses (if any) or alternative be invoiced outside the fund. Such billing arrangements outside the fund are typically handled at the time of client offboarding.

### **Pathstone Mutual Fund**

Pathstone serves as the investment adviser to the Mutual Fund as described in Item 4 above, for which it is paid an advisory fee as set forth in the prospectus of the Mutual Fund. In the event advisory client assets are invested in the Mutual Fund as part of a broader managed account, Pathstone will not charge additional advisory fees on the portion of client assets invested in the Mutual Fund.

### **Other Third-Party Expenses**

In addition to clients paying Pathstone's Fee Arrangements and being subject to any applicable Asset or Incentive-Based Fees related to investments made through the Affiliated Funds program, clients are responsible for all unaffiliated, third-party expenses incurred directly or indirectly in connection with transactions effected on behalf of clients pursuant to their agreements. These expenses shall include, but are not limited to brokerage costs, transaction costs, custodian fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, investment expenses such as commissions, interest on margin accounts and other indebtedness, borrowing charges on securities sold short and other expenses reasonably related to the purchase, sale or transmittal of assets in clients' securities portfolios or accounts (collectively, "Third-Party Expenses").

### **Other Third-Party Underlying Managers' Fees**

In addition, to the extent that clients' securities portfolios include products offered by unaffiliated, third-party sponsors or managers of public or private funds, separately managed accounts, exchange-traded funds, mutual funds or other similar types of investment or financial products or services offered by others, clients may be subject to, directly or indirectly, different types of third-party sponsor or manager fees such as management fees, portfolio fees, performance fees, incentive allocations, transaction fees,

monitoring fees, accelerated monitoring fees, board/director's fees, finder's fees, solicitors fees, consulting fees, administrative fees, fees in connection with mergers & acquisitions activity (e.g., add-on acquisitions, refinancing, sales, and similar transactions) or other similar types of fees and expenses depending upon the manager and fund investment chosen. This is not a complete or exhaustive list of underlying manager fee arrangements.

As clients and Affiliated Funds invest with underlying managers, clients and investors in the Affiliated Funds will generally be subject to underlying manager fees pursuant to the terms of the offering and governing documents of each underlying fund. Generally, underlying managers charge a management fee that may be based on a client or Affiliated Fund's net asset value, capital commitment, capital contribution, or some other measure of assets in the funds or separate accounts as applicable, as well as an incentive allocation or performance fee in many instances. From time to time, Pathstone negotiates fee discounts or other investor rights for its clients with underlying managers, which may be based on aggregate investments by firm clients. Please see Item 12 below for Pathstone's brokerage practices.

An underlying manager may offer the same or similar investment strategies through different investment vehicles or share classes (such as an underlying fund and SMA managed by the same underlying manager). In such instances, the firm seeks to recommend the particular investment vehicle or private fund share class to each client believed by the firm to be appropriate and in the best interest of such client, which may not be the lowest fee-paying share class or investment vehicle offered by the underlying manager due to constraints around minimum investment size, account type, registration, liquidity provisions, or other factors that may influence appropriateness and access to investments.

### **Fee Negotiated, Legacy Relationships, and Other Custom Arrangements**

Pathstone may enter different billing arrangements with clients at its discretion. In addition to the Fee Arrangements described above, Pathstone may assist clients in establishing custom mandates, such as the setup and investment of private placement life insurance policies, resulting in custom fees for such services, which may be in addition to the investment advisory fees charged to clients under the primary engagement. Additionally, Pathstone may manage portfolio accounts for which, in its discretion, it reduces or waives investment advisory fees.

In addition, certain clients may be charged based on older existing fee schedules established prior to becoming Pathstone clients because of the integration of legacy organizations. As a result, depending upon the office location, certain legacy clients may be subject to unique fee arrangements. For example, certain clients may have elected to be subject to a performance-based fee arrangement. To the extent applicable, Pathstone



complies with Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), which requires that a client who pays a performance fee be a “qualified client.”

### **AP II Services**

AP II, a Pathstone affiliate, offers its services to Pathstone clients. AP II builds customized portfolios for clients through SMAs. These services can be any combination of the following, including tax loss harvesting overlays, Environmental, Social, and Governance (ESG) overlays, factor tilts, implementation of client-driven asset allocations and custom index exposures and additional portfolio constraints (“AP II Services”). For the equity strategy, AP II invests in exchange-traded equity securities, exchange-traded funds (“ETFs”), mutual funds, and American Depositary Receipts (“ADRs”). AP II may also invest in other types of securities including, but not limited to, fixed income and fixed income ETFs, foreign securities, multi-currency/foreign exchange, ordinaries and real estate investment trusts (“REITs”).

To the extent a client retains AP II Services, each chosen service is identified and incorporated into a written internal document known as the “Portfolio Guidance Form” (or similar type of workpaper) that establishes the mandates applicable to each client’s account. Depending upon the billing arrangements and methodology chosen, AP II Services fees may be deducted by AP II from the client’s applicable account or separately invoiced at the client’s discretion. Alternatively, AP II Services fees may be deducted by either AP II or Pathstone depending upon the billing arrangements.

Please note that AP II Services fees are separate and apart from other client Fee Arrangements or any applicable Asset or Incentive-Based Fees related to Affiliated Fund investments.

### **Charitable Giving Account Structures (Donor-Advised Funds)**

If requested by a client, Pathstone may serve as investment advisor to stand-alone portfolios within certain charitable giving account structures that are created or funded by a client (and/or person associated with them) for charitable giving purposes. In many cases, such portfolios are charged an asset-based advisory fee within the charitable account. For other relationships, Pathstone does not charge charitable account-specific advisory fees but does include the value of the assets managed within such an account in the investment advisory client’s asset base on which investment advisory fees are calculated pursuant to the Fee Arrangements specified in the written agreement with the client.

### **Sub-Advisory Services Fees**

For certain Affiliated Funds, an unaffiliated third party serves as the general partner, manager and/or primary adviser (the “White Label Sponsor”) to the applicable Affiliated Fund and Pathstone serves as a sub-advisor to such Affiliated Fund. Investors in such Affiliated Funds are subject to the fees of the White Label Sponsor as well as sub-advisory fees of Pathstone. Please see the paragraph titled “Clients Who Invest in Affiliated Funds” above for a discussion of the Fee Break arrangements that generally apply to Pathstone clients during the time they remain advisory clients of Pathstone.

### **Termination of Our Services**

Generally, either party may terminate any agreement by providing written notice to the other party (oftentimes 30 days in advance of the applicable termination date), unless otherwise provided in the terms of the client agreement. In the event a client terminates its agreement with Pathstone, the balance of the unearned fees (if any) shall be refunded to the client in a timely manner. Upon termination, the client generally receives a *pro rata* refund of any pre-paid fees or retainer fees paid based on the number of days that the client’s account was open during the quarter for which fees were paid. In general, performance fees that have accrued to the date of termination will remain payable to the firm. (See also “Clients Who Invest in Affiliated Funds” in Item 5 for a description of potential fees and expenses in respect of the Affiliated Funds following termination of the advisory relationship). However, due to the integration of different legacy organizations, the termination provisions of written contracts will differ between clients depending upon the office location and the terms of each legacy client’s written agreement.

### **Affiliated Trust and Fiduciary Services Companies**

Willow Street and LTC (collectively, the “Affiliated Trust & Fiduciary Services Companies”) are affiliated with Pathstone through common control and ownership. Clients of the Affiliated Trust and Fiduciary Services Companies that engage Pathstone for investment advisory or other services generally pay fees directly to such Affiliated Trust & Fiduciary Services Companies pursuant to their fee arrangement in addition to the investment advisory or other fees paid to Pathstone as described in Item 5 above. Due to the affiliation of Pathstone and the Affiliated Trust and Fiduciary Services Companies an inherent conflict of interest exists that is mitigated by Pathstone acting as a fiduciary in the best interests of each of its clients. See Item 10 Other Financial Industry Activities and Affiliations for more details.

## ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Pathstone may enter performance-based fee arrangements with “qualified clients” based on a share of capital gains or capital appreciation of the client’s assets. Performance fee arrangements are negotiated with clients on a case-by-case basis. Certain Affiliated Funds managed by Pathstone also charge performance-based fee arrangements.

### A. POTENTIAL CONFLICTS

Pathstone advises or manages client portfolios or Affiliated Funds that pay an asset-based fee side-by-side with other clients and Affiliated Funds that pay performance-based fees. Performance-based fees provide Pathstone the opportunity to receive more, or less, compensation compared to advisory fees based solely on assets under management. Performance-based fees can serve to align the interests of Pathstone with those of our clients but may also create conflicts of interest for Pathstone. For example, performance-based fees may create an incentive for an adviser to recommend risky or speculative investments to generate higher positive returns. Performance-based fees may also create an incentive to favor those accounts over other asset-based fee accounts in the allocation of investment opportunities. Pathstone seeks to mitigate these potential conflicts and others as generally described below.

### B. MITIGATION OF POTENTIAL OR ACTUAL CONFLICTS

**Fair Allocation of Investment Opportunities.** Please see the description of our Allocation Policy in Item 11.C.

**Review of Client Accounts.** Please see Item 13.

**Fairness to Clients.** The firm seeks to resolve known, potential or actual conflicts in a manner that is generally fair to all its clients.

**Best Interests of Clients.** The firm recommends an investment to a client only if it is appropriate for the client and is in the client’s best interest. An investment may not be appropriate for all client accounts, and recommendations are made independent of the consideration of fees payable by an account.

**Investment Due Diligence, Decision-Making, and Monitoring.** Please see Item 8 under “Methods of Analysis, Investment Strategies and Risk of Loss” for more details.

**Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.** Please see Item 11.

## ITEM 7. TYPES OF CLIENTS

### Pathstone Advisory Clients (“Advisory Clients” or “Clients”)

As described in Item 4 of this Brochure, Pathstone provides a broad range of discretionary and non-discretionary investment advisory and other professional services to its clients pursuant to various written agreements. Pathstone primarily serves UHNW families, including individual family members and their family-related entities, such as trusts, estates, private charitable organizations, and single-family offices. Pathstone also advises corporations and business entities, pooled investment vehicles, pension and profit-sharing plans, public non-profits, endowments, foundations, and other clients. Subject to the types of services selected, client portfolios generally begin with assets under management of \$10 million or more for investment advisory related services. Clients in the Affiliated Funds meet the requirements for the accredited investor status, and many are qualified purchasers.<sup>2</sup> Pathstone is not precluded from advising other types of clients that are not listed above.

### Observations Regarding Treating Affiliated Funds as Advisory Clients

Pathstone also provides advisory services to its Affiliated Funds pursuant to separate agreements and as a result, each Affiliated Fund is treated as an advisory client. Pathstone assists and advises with managing certain investment and business operations of the Affiliated Funds, in each case to the extent provided in the applicable governing agreement.

### Observations Regarding Certain Limited Partners of Pathstone Affiliated Funds

Certain limited partners invested in the Affiliated Funds who have no other relationship with Pathstone (*i.e.*, they are not receiving investment advisory services pursuant to a separate agreement), may be referred to as “Limited Partners,” “LPs,” “LP Only Investors,” “Non-client Limited Partner,” “Partnership Investors,” etc. depending on the reporting practices of each legacy organization. This is not a complete or exhaustive list, but rather a small sampling of the various descriptions that may be used to describe limited partners throughout firm materials. As a result, such limited partners are not counted as advisory clients for Item 5C of Part 1A.

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<sup>2</sup> “Accredited investor” and “qualified purchaser” are defined in Rule 501 of Regulation D and Section 2(a)(51) of the Investment Company Act of 1940, respectively.

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

### A. INVESTMENT STRATEGIES AND METHODS OF ANALYSIS

Pathstone recommends investments to build diversified portfolios customized to each client's unique goals, circumstances, and risk tolerance. We work closely with clients to establish an understanding of these factors before bringing investment recommendations. Investment recommendations incorporate these considerations as well as Pathstone's own philosophy and investment processes.

Pathstone primarily recommends investments with underlying managers (*e.g.*, managers of various types of onshore and offshore private fund structures, separate accounts, mutual funds, closed-end registered investment companies, or exchange-traded funds) across asset classes and geographies to build client portfolios.

#### **Investment Philosophy**

While each Pathstone client differs in their specific investment objectives, asset allocation, and portfolio construction, we generally adhere to the following core investment principles in our portfolios:

- Maintain a long-term investment horizon
- Be unconstrained but highly selective in where to invest
- Target underlying managers who are flexible and opportunistic with potentially durable returns
- Incorporate diversification across drivers of value within fixed income, public equities, alternative assets (*i.e.*, hedge funds and hybrid credit funds), private equity and venture capital funds, and/or real estate
- Concentrate portfolios in high conviction investments
- Focus on risk-adjusted returns. For most portfolios, we generally define risk as the possibility of permanent capital impairment, not volatility. Additionally, we seek to be sensitive to the volatility of portfolios in relation to distributions (to avoid unplanned realization of losses)

## **Investment Strategies, Process and Methods of Analysis.**

Pathstone specializes in developing asset allocation strategies, sourcing and selecting underlying managers, and in allocating capital across investment strategies and asset classes.

Based on each client's investment objectives, preferences, and liquidity requirements, our customized asset allocation approach generally begins with a strategic allocation to a diversified portfolio of different asset classes. The construction of the strategic allocation incorporates an analysis of historical risk, return, and correlation of various asset classes and, at times, tactical considerations, among other factors.

Asset classes used by Pathstone include but are not limited to cash and fixed income; public equities (long and long/short); alternative assets; private equity and venture capital; and real estate. Pathstone employs investment research teams, led by the firm's Co-Chief Investment Officers, dedicated to monitoring the capital markets and identifying potential investment opportunities and risks within such asset classes (collectively, the "Research Team"). The Research Team is the primary pathway by which the firm recommends the underlying managers ultimately introduced to advisory clients and Affiliated Funds. Client Advisors have direct responsibility for overseeing client relationships and making portfolio recommendations to individual clients.

Depending on a client's financial needs, Pathstone may implement strategies that incorporate buying or selling securities directly rather than, or in addition to, allocating capital to underlying managers. These direct securities transactions may include the purchase of cash or cash equivalent instruments, equity and debt securities, as well as other types of publicly traded securities. They may also include strategies involving long-term purchases (held at least a year), short-term purchases (sold within a year), trading (sold within 30 days), short sales, margin transactions, option writing, including covered options, uncovered options or spreading strategies, structured products, and other securities or derivatives transactions.

As noted above, certain client mandates may be invested through an investment program implemented by AP II. The objective of such a strategy is generally to provide, within a single coordinated portfolio, the pre-tax return of a combination of asset managers or styles while seeking to limit total portfolio risk, costs and taxes. Pathstone selects the investment allocation and applicable benchmarks and/or funds, and AP II executes the trades that best serve the overall portfolio's needs. Such portfolios generally invest exclusively in equity securities, including mutual funds and ETFs. However, to the extent the customized strategy permits, it may also invest in non-equity securities.

For certain client engagements the firm utilizes portfolio models of a third-party provider as appropriate for such clients' asset base, investment objectives, and liquidity needs, among other factors. Exposure across asset classes (including private investments) within such portfolios will vary depending on the unique needs, preferences, and circumstances of the client.

Clients may also direct Pathstone to make and/or report on certain investments that the firm has not or does not recommend. Although the firm may consider those investments in providing investment services to the client, it is not obligated to provide investment advice, including due diligence, on such non-recommended investments. Please see Item 4 explanation of "Assets Under Administration (Reporting-Only Assets)" and the descriptions of various asset categories for more details.

### **Due Diligence & Monitoring Processes**

Pathstone conducts due diligence and monitoring in connection with its investment recommendations and advisory services. The firm's approach recognizes that investments may require various levels and types of diligence depending on the circumstances, as described below. Please note that the descriptions are designed only as broad explanations of the different depths of due diligence performed by either the Research Team, Operational Due Diligence Team ("ODD") or Client Advisors and that such activities are naturally constrained by the availability, time, and allocation of resources each group can dedicate to due diligence and monitoring activities as described in the different categories. Depending upon the facts and circumstances of each instance, some activities may fall between or below the category shown.

**Category I: Enhanced Due Diligence.** Investments that are underwritten by the Research Team through the firm's formal processes, which includes review by the Investment Committee, are subjected to enhanced due diligence prior to recommendation for use in client portfolios and Affiliated Funds. In such situations, the Research Team is generally responsible for the initial due diligence on the underlying investments or managers used, or considered for use, in client portfolios and Affiliated Funds. The Research Team works with the ODD professionals who assist with conducting due diligence and monitoring activities in respect of underlying managers. Potential investments are vetted through a series of internal processes, including an Investment Committee, before being recommended for use in advisory client portfolios and Affiliated Funds. Through such reviews and processes, the corresponding firm-recommended investment opportunity will be vetted, discussed, and debated before the recommendation is finalized. The firm typically prepares an investment memorandum (or similar type of workpaper including e-mail documentation) for investments recommended in this manner, which are provided to applicable Client Advisors and

clients. Following this initial recommendation and diligence process, Pathstone professionals, such as the ODD Team and/or Research Team, actively monitor the applicable underlying managers on an ongoing basis.

**Category II: Basic Due Diligence.** Certain investments that are otherwise deemed appropriate for client portfolios, such as direct, follow-on, secondary and co-investments (e.g., those sourced through previously recommended underlying managers) or certain widely held index funds, may be exempted from the fulsome enhanced due diligence and approval process described above. In such situations, the Research or ODD Teams will review and consider the applicable investment opportunity and may reasonably determine that it does not require additional reviews or approvals based on a variety of factors (e.g., that the applicable manager has previously been subjected to enhanced due diligence). Such review may also include an analysis of the applicable investment opportunity's offering and governing documents and potential return underwriting. In these situations, the Research Team may provide Client Advisors or clients with their observations or recommendations regarding the investment opportunity, which may be in the form of a short memorandum (or similar type of workpaper).

**Category III: Due Diligence Upon Client Request.** From time to time, advisory clients may request that Pathstone provide a "second opinion," "a quick review," "a quick look" or other assistance relating to (i) investments sourced by a client or group of clients or (ii) a client's expressed desire to obtain greater exposure to a specific type of opportunity. These unsolicited requests may require the Research Team or applicable Client Advisors to review underlying manager materials and conduct limited diligence to provide an informed opinion on the opportunity. Due to the limited nature of such reviews, there should be no expectation that the Research or ODD Teams will perform or conduct the enhanced due diligence activities described in Category I or II above. Any corresponding assessment or opinion provided by the firm should not typically be deemed to be a recommendation, endorsement, or approval of such client-directed strategy, investment, or manager. The firm may produce a brief assessment or memorandum (or similar workpaper) for the client describing the opportunity at such client's request. To the extent a client decides to invest in any such opportunity, the firm may (but is not required to) conduct limited monitoring of the applicable manager as an accommodation, such as reviewing the applicable investor notices and letters, audited financial statements, investor capital statements, and participate in annual general meetings, manager calls or conferences, or other opportunities to speak directly with the underlying manager.

**Category IV: Client Advisor-Specific Diligence.** In rare instances, a Client Advisor may independently recommend to one or more advisory clients under their supervision



certain investments that have not been reviewed or approved by the Research Team or Investment Committee. This may occur where client portfolios are invested in certain index-tracking mutual funds or ETFs, or when a Client Advisor or advisory client has a pre-existing relationship with a private fund manager (“Legacy Manager Relationships”). For example, advisory clients that invest in Legacy Manager Relationships may do so based on their own independent experiences and evaluation or the Client Advisor’s experiences with and evaluations of legacy organizations. The Research or ODD Teams generally do not provide any comprehensive due diligence efforts related to such manager selection or the continuous and regular review of Legacy Manager Relationships’ activities.

Please see “Underlying Funds and Manager Risk” in the following section for additional descriptions of limitations and risks related to the selection and due diligence of underlying managers and investments. It is important to note that an investment memo or similar workpaper will not be generated for every recommended manager or investment approved by the firm. Lastly, such work product will not be shared with clients or others if Pathstone determines in its sole discretion that such material contains material non-public information (“MNPI”), is subject to confidentiality or other obligations or may pose some other risk related to its disclosure.

## B. MATERIAL RISKS OF INVESTMENT STRATEGIES AND METHODS OF ANALYSIS

### 1. *General*

Although the firm works diligently to preserve clients’ capital and the growth of client wealth, investing by its nature involves the risk of loss that clients should be prepared to bear. For any given investment, the possibility of a total or partial loss of client capital exists, and prospective clients and investors should not invest unless they can readily bear the consequences of such loss.

**No Assurance of Returns.** There can be no assurance that a client portfolio or Affiliated Fund will perform well or achieve its investment objectives. Similarly, there can be no assurance that underlying funds and direct investments recommended by Pathstone will perform well. The possibility of a total or partial loss of capital exists, and the timing of profit realization, if any, is highly uncertain. There can be no assurance that any client or Affiliated Fund will be adequately compensated for investment risks taken.

**Past Performance Results.** Past performance is not indicative of future results. Similarly, the historical performance of any underlying manager is not a guarantee or prediction of the future performance of the manager.

**Significant Increase or Decrease in Managed Assets.** Clients or investors may invest directly or indirectly with underlying managers or Affiliated Funds who are experiencing a significant increase or decrease in the assets they manage, which may impair their ability to generate returns on par with their historical results. When faced with a significant increase or decrease in assets to invest, underlying managers or Affiliated Funds could possibly diverge from stated strategies, which could result in losses.

**Lack of Client Discretion.** An Affiliated Fund's investment adviser, investment manager or general partner has sole discretion regarding the allocation of the assets of the Affiliated Fund. Limited partners within an Affiliated Fund generally have no discretion regarding the allocation of the assets of the Affiliated Fund.

## ***2. Market Risk***

**Uncertainty in Markets.** Global financial markets and economic conditions have in the past, and will in the future, experience periods of uncertainty and unprecedented volatility and stress resulting from social, political, economic conditions and events as well as natural disasters, epidemics and pandemics, terrorism, military conflicts, cyber-attacks, and social unrest, etc. Such conditions may negatively impact both the business of Pathstone and the underlying investments of clients. For example, uncertainties regarding the recent instability in the banking system have resulted and may in the future, result in serious economic disruptions across the globe. These conditions can cause severe decreases in core business activities and lead to unavailability, instability, or hindered operation of markets and economic systems, asset price declines, heightened volatility, and extreme and unpredictable governmental measures. Although it is impossible to predict the precise nature and consequences of these conditions, client portfolios could be significantly impacted, and there can be no assurances that these events will not cause a client to suffer a loss of any or all the value of its investments. In addition, associated disruptions may affect Pathstone's ability and that of underlying managers to maintain normal business operations for an extended period, which could negatively impact on the identification, monitoring, operation and disposition of investments.

**Global Economic Conditions.** Investment performance will be materially affected by conditions in the global financial markets and economic conditions generally. As global systems, economies, and financial markets are increasingly interconnected, events that once had only local impact are now more likely to have regional or even global effects. Events that occur in one country, region, or financial market will, more frequently, adversely impact issuers in other countries, regions or markets, including in established markets. Changing economic conditions in the global economy or in specific regional economies may also impact the ability to reduce relative investment

risk. The stability and sustainability of growth in global economies may be rapidly impacted by extrinsic factors such as economic intervention by governments, changing policies of governments, national and international events, policies, and other unforeseen adverse events.

**Highly Volatile Markets.** The pricing of investments and the net asset value of such investments can be highly volatile. Valuations can be unpredictable and vary significantly from a prior period's established valuation. Price movements of futures contracts and other derivative contracts are influenced by, among other things, interest rates, currency exchange rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments and currency exchange rate-related futures and options. Such intervention is often intended to directly influence prices and may, together with other factors, cause all such markets to move rapidly in the same direction. Moreover, since there may be less government supervision and regulation of worldwide stock and futures exchanges and clearinghouses than in the U.S., investments are also subject to the risk of the failure of the exchanges or clearinghouses, and there may be a higher risk of financial irregularities and/or lack of appropriate risk monitoring and controls.

**Suspensions of Trading.** A suspension of trading by U.S. and global securities and commodities exchanges can impact any instrument traded on the exchange and can render it impossible to liquidate positions and expose the funds and direct investments and thus, Affiliated Funds and investors, to losses which can be difficult to predict and quantify.

**Lack of Liquidity.** The markets for some instruments have or may in the future experience limited liquidity and depth. In addition, under certain market conditions, such as during volatile markets or when trading is otherwise impaired, the liquidity of the underlying managers' portfolio positions may be further reduced. Underlying funds' or separate accounts' large positions in a specific type of financial instrument may also reduce liquidity. This lack of liquidity could be a disadvantage to both in terms of the realization of the prices quoted and in the execution of orders at desired prices. Accordingly, underlying funds or separate accounts may be required to hold investments for a longer period than desired or may be required to mark down the value of investments that are subject to such limited liquidity.

To the extent permitted in the applicable governing documents, an underlying manager or an Affiliated Fund affected by market conditions may seek to impose certain limitations on redemptions from such fund for prolonged periods by, for example: (1) suspending the determination of the fund's net asset value, (2)

suspending redemptions in whole or in part, (3) suspending subscriptions or capital contributions, (4) imposing “gates” or restrictions on redemption amounts above a certain level and/or (5) extending the period for payment of redemption proceeds. In addition, to the extent permitted, an underlying manager or an Affiliated Fund may seek to, among other things: (i) wind up the relevant fund, (ii) assign certain illiquid or similar assets held by the relevant fund to “special situation” or “side pocket” accounts, or retain illiquid securities in the main fund, (iii) distribute certain securities or other assets held by the relevant fund into a liquidating trust or similar account or vehicle, and/or (iv) distribute certain securities and other assets held by such fund in-kind to the Affiliated Funds, clients, and/or other investors in the fund, in which case the Affiliated Funds and/or clients may not be able to liquidate such securities and other assets during certain periods and/or at prices deemed favorable to the investors.

The financial markets in the United States and other countries continuously experienced a variety of difficulties and changed conditions, which coupled with other challenges affecting the economies of certain countries, may result in reduced demand for the securities and other assets in which an underlying fund invests, and may affect the valuations assigned to such securities and assets. Further, an underlying fund’s participants may not always value these investments at the same prices or in the same manner as other market participants. Such reduced demand and affected valuations may in turn decrease the value of securities and assets held by an underlying fund and may prevent it from liquidating such securities at prices deemed favorable to an underlying fund during periods when investors are seeking to redeem substantial amounts from an underlying fund.

Furthermore, if the underlying fund or separate account incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In addition, in conjunction with a market downturn, counterparties could incur losses, thereby weakening their financial condition and increasing credit risk. All of which could adversely affect the ability to rebalance portfolios or meet withdrawal requests.

**Inflation/Deflation Risk.** Inflation rates may change frequently and significantly because of various factors, including unexpected shifts in the domestic or global economy and changes in monetary or economic policies (or expectations that these policies may change). The underlying funds, separate accounts, and certain mutual funds and their investments are subject to inflation risk, which is the risk that the intrinsic value (*i.e.*, nominal price of the asset adjusted for inflation) of assets or income from investments will be less in the future as inflation decreases the purchasing power and value of money. For example, the market price of debt securities generally falls as inflation expectations increase because the purchasing

power of the future income and repaid principal is expected to be worth less. Thus, investments may not keep pace with inflation, which would adversely affect the real value of client investments.

Deflation risk is the risk that prices throughout the economy decline over time. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of assets.

**Interest Rate Risk.** Changes in interest rates can affect the value of fixed-income debt securities such as bonds and notes as well as other assets whose values are sensitive to changes in interest rates. Increases in interest rates may cause the value of such investments to decline. A client portfolio or an Affiliated Fund may experience increased interest rate risk to the extent that it is invested in lower rate securities, debt securities with longer maturities, debt securities paying no interest (such as zero-coupon securities), debt securities paying non-cash interest in the form of other debt securities (pay-in-kind securities), or other securities that are interest-rate sensitive.

Higher interest rates generally create downward pressure on the price of real assets and the value of fixed-rate debt investments. Further, investors may have difficulty in realizing value from investments due to downward pressure in equity market values, in part because of concerns regarding interest rates. Finally, portfolio companies may not be able to obtain financing on attractive terms due to higher interest rates, which could adversely impact returns for our clients. The economic outlook and possible future changes in interest rates are inherently uncertain.

**Legal, Tax and Regulatory Risks.** Legal, tax and regulatory changes or uncertainty could adversely affect the investments made by Affiliated Funds, underlying funds, or separate accounts of underlying managers or the firm's operations. It is uncertain what impact legal, tax and regulatory changes will have, or what further changes may be instituted. Any such regulation could have a material adverse impact on the profit potential of the underlying funds (and, as a result, an Affiliated Fund or client).

### ***3. Strategy, Portfolio and Investment Risk***

In implementing investment strategies for clients, one or more of the following strategies may be used:

**Multiple Asset Classes.** The underlying managers invest in multiple asset classes, including, but not limited to, investments in securities, debt instruments, derivatives, contracts and other assets. Investment in all of these involves the risk of capital loss and no assurance can be given that the investment will be successful or that an investor will not suffer losses. In addition, a variety of investment strategies may be pursued to improve returns, reduce the total portfolio risk or both, such as (i) buying

and selling of puts and calls on both a covered and uncovered basis, (ii) buying and selling of derivatives, including swap contracts, futures contracts, forward contracts and custom derivative or synthetic instruments, (iii) securities borrowing and selling short, (iv) investing borrowed funds secured by the underlying manager's investment portfolio, and (v) offsetting positions in various credit and/or equity instruments, including unsecured and secured debt, preferred stock, common stock and derivatives. Those investment strategies may instead increase the adverse impact of events and circumstances on the underlying managers' returns.

**Asset Class Categories and Inadvertent Concentration.** A fundamental investment philosophy of the firm is the development of portfolio holdings in multiple asset classes, which affords expected diversification benefits. Several underlying funds or separate accounts may have overlapping strategies and could accumulate large positions in the same or related securities. As a result, the unfavorable performance of a small number of such investments could have a substantial adverse impact on portfolio performance. In addition, the cumulative effect of all asset classifications, subject to the foregoing inherent subjectivity, may result in risk of a skewed perception by the firm of the true risk and return characteristics of its overall portfolio. As a result, certain asset classes may be under- or over-weighted relative to the firm's preferred asset allocation targets and, accordingly, a client's portfolio may be over-allocated or may be incurring concentration risks within the portfolio as a result. The firm's ability to avoid such concentration depends on its capacity to reallocate client capital among existing or new underlying funds or separate accounts. In addition, certain asset classes may be generally more difficult to value accurately, such as tactical/hedged equities, which may result in departures of the actual portfolio from intended asset allocation targets.

**Allocation Risk.** There is no assurance that the firm's recommendation to under- or over-weight allocations among funds of varied focuses will be effective in increasing investment returns or limiting relative risk. In addition, the firm may be limited in its ability to make changes to allocations due to the subscription and redemption provisions of the underlying funds. Furthermore, asset allocation decisions of the firm will be based largely on information previously provided by the underlying funds or separate account managers and collected from third parties. If such information is inaccurate or incomplete, it is possible that the allocation to the asset classes from a risk/reward perspective may not reflect the firm's intended allocations. This could have a material adverse effect on the ability of the firm to implement the investment objectives of a client.

**Limited Liquidity.** There is no public market for interests in private funds, including the Affiliated Funds, and it is not expected that a public market will develop. There will also be substantial restrictions upon the transferability of interests, including the

requirement in a partnership agreement that most transfers be approved by the General Partner. There are also other contractual restrictions and restrictions imposed by applicable federal securities laws and the laws and the regulations of other jurisdictions, which may require an indefinite holding period of private fund interests, including those of Affiliated Funds. A purchase of an interest in a private fund, including an Affiliated Fund, should be considered only by people financially able to maintain their investment and able to afford a loss of all or a substantial part of such investment. In addition, investors who invest through an offshore fund should be aware that an interest in such fund may be less attractive to other investors that are not foreign or tax-exempt entities in the United States, and therefore even less liquid than a direct investment interest in an onshore fund. There is no assurance that any distribution will be made or that fund investments will be successful.

Many recommended private funds have lock-up provisions that prohibit an investor from withdrawing money for a certain period, for example 12 to 36 months or significantly longer. Some of these investments require advance notice if an investor seeks a full or partial redemption, while other investments do not offer redemption rights at all.

**Illiquid Investments.** Investments in certain underlying funds, including private equity and real assets, will be illiquid, entailing a high degree of risk. An investor in an illiquid underlying fund may be expected to hold its investment for the entire life of the underlying fund, which is typically seven to ten years or more (and for private equity anchor investments possibly fifteen years or more).

The underlying investments of an underlying fund, at any given time, may consist of significant amounts of securities and other financial instruments that are very thinly traded, or for which no market exists, or which are restricted as to their transferability under U.S. or state or non-U.S. securities laws. In some cases, underlying funds may also be prohibited by contract from selling such securities for periods of time. In other cases, the types of investments made by underlying funds may require a substantial length of time to liquidate. Consequently, there is a significant risk that the underlying funds will be unable to realize their investment objectives by sale or other disposition of portfolio company securities at attractive prices or will otherwise be unable to complete any exit strategy with respect to their portfolio companies. These risks can be further increased by changes in the financial condition or business prospects of the portfolio companies, changes in economic conditions and changes in law.

An underlying fund may distribute its investments “in-kind,” which may include illiquid securities. The Affiliated Funds may in turn make in-kind distributions of these investments. There can be no assurance that clients or investors will be able to

dispose of these investments or that the value of these investments, as determined generally by an underlying fund, will ultimately be realized.

**Leverage (Borrowed Money).** Certain underlying managers may use leverage in their investment strategy, which would increase the potential for loss as well as transaction expenses. The use of leverage will increase the volatility of such investments. Leverage increases return to investors if the return earned on the leveraged investments is greater than the cost of such leverage. However, the use of borrowing exposes the investor to additional levels of risk including (i) greater losses from investments than would otherwise have been incurred without borrowing to make the investments, (ii) margin calls or changes in margin requirements forcing premature liquidations of investment positions and (iii) losses on investments that fail to earn a return that equals or exceeds the cost of leverage related to such investments. In the case of a sudden, precipitous drop in value of the underlying funds' or separate accounts' assets, they might not be able to quickly liquidate assets to repay their borrowings, further magnifying the losses incurred.

In an unsettled credit environment, the underlying managers may find it difficult or impossible to obtain leverage, and if leveraging is part of their investment strategy, they may not be able to fully implement those strategies. In addition, any leverage obtained, if terminated on short notice by the lender, could result in them being forced to unwind positions quickly and at prices below fair value.

**Short Selling.** Short selling involves selling securities which may or may not be owned by the seller and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities later. Short selling allows the investor to profit from declines in securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

**Non-Marketable Securities.** Investments in non-marketable securities are generally difficult to liquidate and price. Restricted securities are securities that may not be sold to the public without an effective registration statement under the Securities Act or, if they are unregistered, may be sold only in a privately negotiated transaction or pursuant to an exemption from registration. Positions in restricted or non-publicly traded securities and certain futures contracts may be illiquid. Market and general economic conditions may also affect the liquidity of specific asset classes or investments in certain regions or markets.



**Derivatives.** Various underlying funds or separate accounts may use derivatives, such as options, futures and swaps. Such derivatives derive their performance, at least in part, from the performance of an underlying asset, index or interest rate and generally involve a higher degree of risk. There are uncertainties as to how particular derivatives will perform during periods of unusual price volatility or instability, market illiquidity, or credit distress. Substantial risks are also involved in borrowing and lending against derivatives. Derivatives prices can be volatile, market movements are difficult to predict, and financing sources and related interest rates are subject to rapid change. Certain derivatives also involve embedded leverage, and a relatively small price movement may result in substantial losses. Certain of these instruments have not been traded on exchanges but rather through a network of banks and dealers that have no obligation to make markets in them and can apply essentially discretionary margin and credit requirements. The market for many derivatives is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid, and unpredictable changes in the prices of derivatives. In addition, some derivatives carry the risk of failure to perform by the counterparty to the transaction. Many unforeseeable events, such as government policies, can have significant effects on interest and exchange rates, which in turn can have large and sudden effects on prices of derivative instruments.

**Hedging and Other Trading Strategies.** A hedging strategy is a risk management technique used by certain managers to reduce or offset the risk of adverse price movements in an asset. Generally, the goal of hedging is to protect against potential losses. For example, hedging may be achieved by taking an offsetting position in a related security or derivative. The decision as to when and to what extent to hedge or follow other trading strategies depends on many factors. There can be no assurance that these strategies will be available or effective or that the performance of the hedge will correspond appropriately to that of the assets hedged.

**Fixed Income Securities.** Investment in fixed income securities is subject to the risk of the issuer's or a guarantor's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer, the rate of inflation, and general market liquidity (*i.e.*, market risk). In addition, mortgage-backed securities and asset-backed securities may also be subject to call risk and extension risk. For example, the duration of a security backed by home mortgages can either shorten (*i.e.*, call risk) or lengthen (*i.e.*, extension risk).

**High-Yield Debt; Distressed Debt.** High-yield bonds (commonly known as "junk bonds"), distressed debt instruments, and other debt securities will typically be junior to the obligations of companies to senior creditors, trade creditors, and employees. The lower rating of high-yield debt reflects a greater possibility that

adverse changes in the financial condition of the issuer or in general economic, financial, competitive, regulatory, or other conditions may impair the ability of the issuer to make payments of principal and interest. High-yield debt securities have historically experienced greater default rates than investment grade securities. The ability of holders of high-yield debt to influence a company's affairs will be substantially less than that of senior creditors. The market for lower grade debt securities may be thinner and less active than for higher grade debt securities, and thus less liquid. This could result in an investor being unable to sell such securities for an extended period, if at all.

**Public Equity Securities.** The underlying funds and underlying managers may invest in publicly traded equity securities, the value of which may decline over short or extended periods. The volatility of equity securities means that the value of an investment may increase or decrease.

**Small Capitalization Companies.** Securities of small capitalization companies and recently organized companies have historically been more volatile in price, and less liquid, than those of larger, more highly capitalized, established companies and therefore may pose greater investment risks. Small capitalization companies may require substantial additional capital or borrowings. There is often less publicly available information concerning such companies, making them more difficult to value. Investments in companies with limited or no operating histories are more speculative and entail greater risk than investments in companies with an established operating record.

**Growth Stock Risk.** Securities of growth companies may be more volatile since such companies usually reinvest a high portion of earnings in their businesses and may lack the dividends of value stocks that can cushion stock prices in a falling market. In addition, earnings disappointments often lead to sharply falling prices because investors buy growth stocks in anticipation of superior earnings growth.

**Value Stock Risk.** A particular risk of value stock investment is that some holdings may not recover and provide the capital growth anticipated or that a stock judged to be undervalued may be appropriately priced. Further, because the prices of value-oriented securities tend to correlate more closely with economic cycles than growth-oriented securities, they generally are more sensitive to changes in interest rates, corporate earnings, and industrial production. Markets may not favor value-oriented stocks or equities at all, and during those periods, relative performance may suffer.

**Equity Strategies.** Strategies employed with investments in publicly traded equity instruments rely on the manager's ability to identify securities that are mispriced relative to related securities, groups of securities, or the overall market. The strategy uses derivatives, leverage and several assumptions about the intrinsic value of

publicly traded equity instruments. There can be no assurance that such assumptions will prove to be accurate or that the strategies will be implemented correctly.

**Real Estate Investing.** While real estate investing presents the potential for significant capital appreciation, such investments also involve a high degree of risk, including financial, operating, illiquidity, and competitive risk. Frequently, real estate investments are structured with the use of leverage or borrowed money. While the use of leverage will enhance the returns on a successful investment, a leveraged capital structure will also be subject to increased exposure to extreme economic conditions, such as a significant rise in interest rates, or a severe downturn in the economy, increasing the risk of loss associated with the investment.

**Energy and Timber Investments.** Energy, timber, or other real asset investments are likely to be subject to the same or similar risks as those of real estate investing noted above. Other risks include, without limitation, significant dependence upon local and global commodity prices, regulatory issues, environmental issues, geopolitical risks, actions of the Organization of Petroleum Exporting Countries (OPEC), disruptions to supply chains, changing macroeconomic conditions, significant technological changes and other unforeseen events.

**Buyouts/Growth Capital.** Buyout and growth capital funds frequently structure their investments with the use of leverage. While this may enhance the returns on a successful investment, a company with a leveraged capital structure will be subject to increased exposure to changing economic conditions, such as a significant rise in interest rates, or a downturn in the economy or the company's industry, enhancing the risk of loss associated with the investment.

**Venture Capital.** It is anticipated that the portfolio companies of venture capital funds will confront a significant degree of financial, operating, illiquidity, and competitive risk. In addition, many of these companies, due to their limited revenues and history of operating losses, may need to fund continuing operations via the private and public capital markets. Such continued funding may be curtailed for a variety of factors which may include, but would not be limited to, rising interest rates, downturns in the economy or deterioration in the condition of the company or its industry.

**Digital Assets.** Investments in digital assets (*e.g.*, cryptocurrencies, decentralized application tokens, protocol tokens and other cryptofinance coins, tokens and digital assets and instruments that are based on blockchain, distributed ledger or similar technologies) are subject to many risks, including and relating to (i) technology, (ii) security (including risks associated with the custody and trading of cryptocurrencies and digital assets), (iii) compliance with applicable rules and regulations, (iv) the quality of market surveillance, (v) user/market acceptance, (vi) volatility and (vii)

illiquidity. Any of these risks could have a material adverse effect on such investments, including a total loss of value.

There can be no assurance that vulnerabilities in the technology associated with a particular cryptocurrency or digital asset, and its associated networks will be identified and addressed prior to a client's investment. Digital asset transactions are vulnerable to hacking and malware and could lead to theft of client digital assets. Many digital asset exchanges have been closed due to fraud, failure or security breaches. In many of these instances, the customers of such digital asset exchanges were not compensated or made whole for the partial or complete losses of their account balances in such digital asset exchange. Further, many digital assets themselves may be hacked, may become vulnerable due to flaws in fundamental core code, or may become subject to control by malicious actors. In addition, digital asset transactions are generally not reversible and stolen or incorrectly transferred digital assets may be irretrievable.

Digital assets are currently not legal tender in the United States, and federal, state or foreign governments may restrict their use and exchange at any time. Further, digital assets currently face an uncertain regulatory status and are not subject to U.S. federal regulatory oversight and new laws, regulations or directives by U.S. and non-U.S. jurisdictions may impact the digital asset markets. Such uncertainty may lead to material litigation, including individual and class action lawsuits, as well as investigations and enforcement actions by regulators and governmental authorities. In addition, various foreign jurisdictions may, in the future, adopt laws, regulations, or directives that affect the digital network and its users that conflict with those of the U.S. The effect of any future domestic or foreign regulatory change is impossible to predict but could be substantial and adverse. Further, the taxation of digital assets is uncertain in many jurisdictions.

Supply is determined by a computer code, not by a central bank, and prices have been and will likely continue to be extremely volatile. There is no assurance that digital assets will maintain any long-term value in terms of purchasing power in the future. Such investments may be subject to impairment and/or total loss.

**Special Situations and Distressed Investments.** Special situation investing generally involves targeting unique corporate events or circumstances. These situations may include, without limitation, mergers, acquisitions, spin-offs, bankruptcies, restructurings, regulatory changes, management changes, or litigation outcomes. While these events may present opportunities for meaningful investment returns, they are opportunistic in nature and involve significant risks and uncertainties, including, but not limited to event uncertainty, market volatility, regulatory and legal risks, information asymmetry, and execution risk. Further, a significant risk exists

that a turnaround effort for any company in a distressed financial condition will not be successful and that all or a significant portion of the capital invested may be lost.

**Values-Aligned Investing.** Based on a client's investment objectives, preferences and expressed interest, Pathstone may recommend investing in underlying managers who we believe have the potential to deliver financial returns as well as social and environmental impact (sometimes referred to as "ESG," "Full Consequence Investing®," or "FCI™"). For example, research professionals in certain offices (*i.e.*, San Francisco and New York City) may incorporate analysis of an underlying manager's FCI™ practices into their evaluation processes, which may include the identification and weighting of sustainability factors. Such analysis is performed by Pathstone, and not by the applicable underlying managers. In addition, any FCI™ categories or classifications provided to clients represent the opinion of Pathstone; such categories or classifications may differ materially from third parties' or the underlying funds' classification systems and are subject to change without notice.

FCI™ analysis involves judgment by Pathstone, which is inherently qualitative and subjective, based on our assessment of an underlying fund's investment process, values, and/or potential impact. Pathstone conducts due diligence to reach a reasonable assessment of which factors, and the degree to which these factors, are used in an underlying fund's investment process. There is no guarantee that Pathstone's due diligence has or will fully ascertain all the relevant factors in an underlying fund's investment process or their appropriate weighting, or that the underlying manager will maintain the same investment process between the times that Pathstone performs due diligence. Because of the qualitative nature of FCI™ and sustainability factors, their precise impact and cost cannot be quantified, either standing alone or in relation to an impact on performance results, and there is no guarantee that any impact (positive or negative) will be achieved by the underlying funds. Successful application of values-aligned investing depends on the firm's skill in properly identifying and analyzing material FCI™ issues, and there can be no assurance that the strategy or techniques employed will be successful.

In addition, investments in which impact and business model sustainability, environmental, social, and governance factors are central to the strategy may be riskier and/or less profitable than other types of investments due to: (i) less proven investment strategies, (ii) less developed businesses or technologies, (iii) immature or unproven markets, (iv) reliance on government subsidies or social goodwill that may change, (v) underlying business managers not seeking to maximize return for shareholders, (vi) partial donations of profits to non-owner entities such as charities, (vii) changing regulations, (viii) obsolescence due to rapidly evolving technologies, (ix) heightened political and regulatory risk, (x) failure to reach critical mass, (xi) acceptance of greater risk or reduced due diligence standards by underlying

managers, and (xii) many other factors. Lastly, it is important to note that not all Pathstone offices utilize the same approaches to values-aligned investing and the adoption is generally driven by client-specific considerations.

**Opportunity Zones.** Investments in underlying funds that intend to qualify as Qualified Opportunity Funds (“QOFs”) under Section 1400Z-2 of the Internal Revenue Code and the Treasury Regulations promulgated thereunder (the “Opportunity Zone Provisions”) involve significant structural and tax risks. While underlying managers work to structure and operate certain funds as QOFs, such structuring and operations may be insufficient, such that the funds may not actually qualify as QOFs, and investors in such funds may not be eligible for benefits under the Opportunity Zone Provisions. In addition, the ability of underlying funds to qualify as QOFs will depend in part upon their operating results and activities, which neither Pathstone nor the underlying managers of such funds fully control.

The Opportunity Zone Provisions are subject to change. Future pronouncements interpreting or clarifying the Opportunity Zone Provisions may be issued by the U.S. Treasury Department and the U.S. Internal Revenue Service (“IRS”). It is impossible to predict if, when, or in what form such guidance will be provided and whether it will be applied on a retroactive basis and affect the qualification of underlying funds as QOFs.

Clients who invest in underlying funds which are intended to qualify as QOFs are urged to consult with their tax advisors regarding their particular tax circumstances and the consequences of investing in any QOF.

**Valuation of Investments.** Pathstone and the Affiliated Funds ordinarily rely on valuations provided by underlying managers, pricing services, and other asset custodians. Certain securities, funds or other investment holdings may not have a readily ascertainable market price, and the valuation of such assets generally involves significant professional judgment. In this regard, an underlying manager may face a conflict of interest in valuing the securities, as their value will affect the underlying manager’s compensation with respect to asset-based fees as well as performance-based fees and allocations. Such compensation may be based on an underlying manager’s calculations, without independent oversight, of realized and unrealized gains.

To the extent the values of the assets are determined inaccurately, clients and investors may be adversely affected in connection with the contribution of additional capital to, or the withdrawal or distribution of capital from, an underlying fund or Affiliated Fund.

There are situations in which Pathstone may need to be involved in the valuation of client securities, funds or other investment holdings if a third party is unable or

unwilling to provide valuation information. In such situations, the firm will value such securities, funds or other investment holdings at fair value in good faith.

**Non-U.S. Investments.** It is anticipated that where appropriate, clients or Affiliated Funds will invest directly or indirectly in investments outside the United States. Any investment in a foreign country involves risks not found in the domestic securities market, including the following: the risk of economic and financial instability in the foreign country; the risk of adverse social and political developments, including nationalization, confiscation without fair compensation, political and social instability, and war; the risk of restrictions on the repatriation of investment income or capital or on the ability of foreign persons to invest in certain types of companies, assets, or securities; risks related to the lack or availability of sufficient financial information due to differences in corporate governance, accounting, auditing, and financial disclosure standards; risks related to foreign laws and legal systems, including in particular the laws with respect to the rights of investors and the procedures for the judicial or other enforcement of such rights; risks related to investments denominated in foreign currencies and subject to fluctuations in exchange rates; and risks related to applicable tax laws and regulations and tax treaties, possibly resulting in retroactive taxation and an unanticipated local tax liability. Further, a non-United States investment may require significant government approvals under corporate, securities, exchange control, foreign investment, and other similar laws, and may require financing and structuring alternatives that differ significantly from those customarily used in the United States.

**Emerging Markets.** It is anticipated that where appropriate, clients or Affiliated Funds will invest directly or indirectly in companies in one or more emerging markets (including, without limitation, in the People's Republic of China, India, other South and Southeast Asian countries, Africa, and South America). Investing in companies based in emerging markets involves considerations including political and economic factors, such as greater risks of expropriation, nationalization, and general social, political and economic instability; the small size of the securities markets in emerging markets and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; inconsistencies among local, regional, and national laws; and certain government policies that may restrict investment opportunities. As a US registered investment manager, the firm may be subject to legal or regulatory constraints or prejudices that do not affect local investors. Less information may be available to investors, and there may be a lack of uniform accounting, auditing and financial reporting standards, inadequate settlement procedures and potential difficulties in enforcing contractual obligations.

**Foreign Exchange Risks.** In the case of investments in securities that are not denominated in U.S. dollars, any fluctuation in currency exchange rates will affect the value of such investments and the returns ultimately achieved. Depending on the country involved, the hedging of currency exposure can be costly and/or difficult to implement effectively, particularly with longer-term investments. Additional costs may be incurred with conversions between various currencies and with hedging transactions.

#### ***4. Underlying Funds and Manager Risk***

**Reliance on Underlying Fund Management.** Clients and the Affiliated Funds typically invest in underlying funds and through separate accounts managed by underlying managers that are generally unrelated to Pathstone. Returns could be substantially and adversely affected by the unfavorable performance of one or more such funds or separate accounts. Subjective decisions made by the managers may result in the funds or separate accounts incurring losses or missing profit opportunities. Furthermore, the managers may have substantial discretion to change their investment approach, potentially without notice to or approval by investors. The firm and investors do not have any right or power to participate in the management or control of the underlying funds or many separate accounts, nor can they evaluate the specific investments made prior to the purchase.

**General Risks Relating to Underlying Managers and Other Financial Intermediaries.** In connection with investments in underlying funds by clients and Affiliated Funds, the underlying managers will have custody and control of the assets invested in such underlying funds. The failure of an underlying manager or financial intermediary to fulfill its obligations may have a material adverse effect on the related investment and overall performance. The insolvency or bankruptcy of an underlying manager, another financial intermediary, or their counterparties could result in the partial or complete loss of the investments.

**Unregistered Funds.** Many funds recommended by Pathstone, including the Affiliated Funds, are private limited partnerships or similar structures sold in private placements, and are not registered investment companies under the Investment Company Act. In accordance with its governing documents, there will be significant restrictions on redeeming and/or transferring the limited partnership interests of the Fund. There is no secondary market for the limited partnership interests of an Affiliated Fund, and none is expected to develop.

**Due Diligence Errors.** It is possible that the firm may miss or misinterpret information during its due diligence and monitoring of investment opportunities. The firm has established procedures to mitigate this risk, but there is no assurance it will be successful in any situation. An underlying manager could be engaged in



wrongdoing that is not uncovered by the firm's due diligence process. Because clients invest through underlying managers or private funds that are separate from Pathstone and over which Pathstone does not have physical custody or control, an underlying manager could divert or abscond with a client's assets, fail to follow its stated investment strategies, issue false reports, or engage in other misconduct. Please read carefully the section entitled "Due Diligence & Monitoring Processes" above within this Item 8.

The firm's approach to due diligence and monitoring recognizes that investments may require various levels and types of diligence depending on the circumstances. Please note that the descriptions of such processes are designed only as broad explanations of the different depths of due diligence performed by either the Research Team, ODD Team or Client Advisors and that such activities are naturally constrained by the availability, time, and allocation of resources each group can dedicate to due diligence and monitoring activities as described in the firm's different due diligence categories. Depending upon the facts and circumstances of each instance, some activities may fall between or below each category of diligence described in "Due Diligence & Monitoring Processes." As such, not all client investments are subjected to the firm's enhanced due diligence processes, which may ultimately increase the risk of due diligence errors.

**Multiple Levels of Fees and Expenses.** Investors in an Affiliated Fund or underlying fund may pay multiple levels of fees to different managers for the management of the investment. In the aggregate, these fees may significantly reduce net returns to an investor. If it were possible for an investor to invest directly in an underlying fund, the investor might pay fewer levels of fees. Please see Item 5 for details about other fees and compensation.

**Effect of Carried Interest.** The existence of a carried interest payable to the underlying managers may create an incentive to make more risky or more speculative investments on behalf of their underlying funds. In addition, underlying managers of certain underlying funds may be permitted to take carried interest distributions prior to the time they have returned capital to their investors. This may result in lower returns and/or higher losses for the investors in such underlying funds.

**Conflicts Related to Multiple Underlying Fund Managers.** Because the underlying managers make their trading decisions independently, it is theoretically possible that one or more such managers may, at any time, take investment positions that are opposite of positions taken by other underlying managers. It is also possible that the underlying funds or separate accounts may compete for similar positions at the same time.

**Investment Techniques May Increase Risk of Loss.** An Affiliated Fund or the underlying managers may employ leverage and other investment techniques, which may increase the volatility of the performance and increase the risk of loss.

**Contribution in Excess of Capital Commitment.** Pursuant to a limited partnership or similar agreement of an underlying fund to satisfy an indemnification obligation, a client or Affiliated Fund may be required to contribute to an amount in excess of its uncalled commitment. Each investor will typically be obligated to contribute its *pro rata* share of the contribution, which may be an amount more than its capital commitment to the underlying fund.

## ***5. Direct Investments***

Direct investments may involve taking positions in the equity or debt securities of private companies. Often, little or no secondary market exists for such securities and many of the direct investments could involve placing investor capital at risk for longer periods than for investments in underlying funds. Direct investments in private and public companies may entail a higher-than-normal level of volatility, especially during periods of market dislocation. There can be no assurance that the future performance of direct investments will be positive or will result in rates of return that are consistent with historical performance. The markets for securities of private companies have limited liquidity and depth.

## ***6. Tax Reporting Considerations***

Pathstone and the Affiliated Funds endeavor to report year-end tax information in accordance with IRS requirements. However, Pathstone must rely on the timely receipt of the corresponding tax information from all the underlying funds and other investments. It is anticipated that clients and Affiliated Fund investors will need to seek tax filing extensions for any given year, particularly because of illiquid investments. The tax liability for the income and gains of an underlying fund or Affiliated Fund for a year may exceed the amounts withdrawn by or distributed to the investor.

Investing in private funds generally gives rise to complex tax consequences. Pathstone is not a tax accounting firm and generally does not provide tax advice relating to underlying funds or Affiliated Funds tax reporting. Clients are urged to consult with their own tax advisors.

## 7. *Other Considerations*

**Investor Eligibility.** An investment in the Affiliated Funds is not suitable or desirable for all investors. U.S. persons typically must qualify as “accredited investors,” “qualified clients” and “qualified purchasers.” Other suitability/eligibility criteria may apply.

**Systems and Operational Risk.** Pathstone relies on certain financial, accounting, data processing and other operational systems and services that are employed by it and/or by third-party service providers, including prime brokers, third-party administrators, market counterparties and others. Many of these systems and services require manual input and are susceptible to error. These programs or systems may be subject to certain defects, failures, or interruptions. For example, Pathstone, its managers and its clients, could be exposed to errors made in the confirmation or settlement of transactions, from transactions not being properly booked or accounted for or related to other similar disruptions in the clients’ operations. In addition, despite certain measures established by Pathstone and third-party service providers to safeguard information in these systems, they are subject to risks associated with a breach in cybersecurity (described further below) which may result in damage and disruption to hardware and software systems, loss, or corruption of data and/or misappropriation of confidential information. Any such errors and/or disruptions may lead to financial losses, the disruption of client investment activities, and liability under applicable law, regulatory intervention or reputational damage.

**Systemic and Counterparty Risk.** Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a “systemic risk.” A similar set of risks from financial “contagion” such as bank runs can arise in part of the financial system and then be amplified through modern communications technology such as social media. These risks can negatively impact assets directly held by clients as well as the companies in which the underlying funds, separate accounts, and certain mutual funds invest, for example through less credit being available to finance their businesses. These risks also may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms, and exchanges, with which the underlying funds, separate accounts, and certain mutual funds (to which clients are exposed either directly or through the Affiliated Funds) interact daily.

Certain managers may be required to post collateral with counterparties to support the managers’ obligations in connection with transactions involving forwards, swaps,

futures, options, and other derivative instruments. Generally, counterparties will have the right to sell, pledge, rehypothecate, assign, use or otherwise dispose of the collateral posted by the underlying funds in connection with such transactions. This could increase the underlying funds' exposure to the risk of a counterparty default since such collateral could be lost or the underlying funds may be unable to recover the collateral promptly. Also, counterparties have an interest in maximizing the return from such collateral, which could conflict with the interests of the underlying funds in preserving and protecting their portfolios.

Some of the markets in which an underlying fund, separate account or mutual fund (to which clients are exposed either directly or through the Affiliated Funds) may effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to the same credit evaluation and regulatory oversight as are members of "exchange-based" markets. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, might not be available in connection with such "over-the-counter" transactions. This exposes those engaging in such transactions to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing such underlying fund to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the underlying fund, separate account, mutual fund or Affiliated Fund has concentrated its transactions with a single or small group of counterparties. Underlying funds are generally not restricted from dealing with any counterparty or from concentrating any or all their transactions with one counterparty. Moreover, certain underlying funds, separate accounts, mutual funds or Affiliated Funds may not have any formal credit function that evaluates the creditworthiness of the counterparties. The ability of them to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the underlying funds, separate accounts, mutual funds or Affiliated Funds.

**Cybersecurity Risks.** The information and technology systems of Pathstone, its managers and other key service providers to Pathstone and its clients may be subject to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons or security breaches, usage errors by employees, power outages or catastrophic events such as fires or hurricanes. In the unlikely event that these systems are compromised, become inoperable for extended periods of time, or cease to function properly there could be significant interruptions in the operations of Pathstone or

its client accounts or a compromise of the security, confidentiality, privacy of sensitive data, including personal information. Similar adverse consequences could result from cyber incidents affecting the issuers of financial instruments in which clients are invested, counterparties with which Pathstone or its managers engage in transactions, governmental and regulatory authorities, exchange and other financial market operators, banks, brokers, dealers and other financial institutions or parties

Pathstone has implemented various measures and uses computer systems to manage a broad range of data, including confidential information about our clients, and has adopted risk-based policies and implements controls reasonably designed to manage the risks of cyber events and protect these systems from unauthorized access. Specifically, Pathstone employs technology, including firewalls, intrusion detection and pattern recognition appliances and software to secure the internal computer network; employees are trained to identify cybersecurity threats; and encryption technologies and access controls are utilized within the firewalls to further protect sensitive information. Despite these controls and programs, there is always the risk that Pathstone will experience a breach of its systems that could impact its operations or compromise data that it maintains. If necessary, we are prepared to respond with the appropriate resources to contain and remediate any breach and to restore its operations. Should a breach of our systems result in the material compromise of confidential client information, we will undertake reasonable efforts to notify any affected client.

Please also refer to disclosures elsewhere in this Brochure. Specific risks with respect to specific investments can be found in the Private Placement Memoranda or other disclosure documents relating to those investments.

## ITEM 9. DISCIPLINARY INFORMATION

Pathstone and its management persons have no disciplinary history reportable under Item 9.

**[Intentionally left blank – please see Pathstone’s Key Affiliates Below]**

## ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

PATHSTONE KEY AFFILIATES		
<u>Pathstone Key Affiliates</u>	<u>Description</u>	<u>Affiliate Services for the benefit of Advisory Clients</u>
<b>TRUST COMPANY &amp; FIDUCIARY SERVICES FIRM</b>		
<b>WILLOW STREET TRUST COMPANY OF WYOMING, LLC AND WILLOW STREET GROUP, LLC</b>	Willow Street Trust Company of Wyoming, LLC ("WSTC, LLC") and Willow Street Group, LLC ("WSG, LLC") (collectively, "Willow Street") provide professional solutions for the administration, management, and stewardship of assets. Pathstone is affiliated by common control and ownership with Willow Street. Please note that WSTC, LLC is a trust company and WSG, LLC is a fiduciary services firm and not a trust company.	Corporate Trustee Services, Private Trust Company (PTC) Services, Other Trust & Fiduciary Services
<b>LAUREL TRUST COMPANY</b>	Laurel Trust Company ("LTC") is Nevada trust company that provides professional solutions for the administration, management, and stewardship of assets. Pathstone is affiliated by common control and ownership with LTC.	Corporate Trustee & Fiduciary Services
<b>ADVISOR PARTNERS II</b>	Advisor Partners II ("AP II") a registered investment adviser providing discretionary, sub-advisory, and model portfolio management services primarily to clients of registered investment advisers and other financial institutions. Pathstone is under common control and ownership with AP II.	AP II provides services to build customized portfolios for its clients through SMAs. AP II's services include any combination of the following, including tax loss harvesting overlays, Environmental, Social, and Governance (ESG) overlay, factor tilts, implementation of client-driven asset allocations and custom index exposures and additional portfolio constraints.
<b>CAMBRIAN CAPITAL MANAGEMENT, LLC</b>	Cambrian Capital Management, LLC ("Cambrian") is a registered investment adviser and private market investment platform. Pathstone is under common control and ownership with Cambrian.	Pathstone Private Equity Anchor Program
<b>AFFILIATED FUNDS, GENERAL PARTNERS, INVESTMENT MANAGERS AND OTHER FUND RELATED AFFILIATED ENTITIES</b>	Certain private funds sponsored by Pathstone or its affiliates, are considered Pathstone affiliates. Additionally, related affiliated entities that serve either as the general partner, portfolio manager, investment manager, investment adviser, sub-adviser, administrative manager, or serve in other similar types of investment, administrative or operational service roles on behalf of Pathstone's Affiliated Funds program are treated as Pathstone affiliates.	Pathstone will at times advise a client to invest in one or more Affiliated Funds. Please see Item 10 for additional details as well as Form ADV Part 1A under Item 7.A. Financial Industry Affiliations and Item 7.B. Private Fund Reporting for a complete list of Pathstone's Affiliated Funds and affiliated entities related to such funds.

## A. PROFESSIONAL SERVICES

Pathstone offers its clients a variety of Professional Services that assist them in addressing many of the complex opportunities and challenges that can arise in the stewardship of their wealth. These Professional Services are generally targeted towards the firm's UHNW families and their family-related entities. However, they are also available and adapted as needed for other clients, such as investment limited partnerships, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations and other business entities. Engagements are tailored to each client's needs and based upon the services selected. Please see Item 4 for a general description of available Professional Services and Item 5 regarding Fee Arrangements. Available Professional Services and Fee Arrangements are subject to change.

## B. AFFILIATED FUNDS, GENERAL PARTNERS, INVESTMENT MANAGERS AND OTHER FUND-RELATED AFFILIATED ENTITIES

Certain private funds sponsored by Pathstone or its affiliates are considered Pathstone affiliates. Additionally, related affiliated entities that serve either as the general partner, portfolio manager, investment manager, investment adviser, sub-adviser, administrative manager, or serve in other similar types of investment, administrative or operational service roles on behalf of Pathstone's Affiliated Funds program are treated as Pathstone affiliates. Please see Item 10 for additional details as well as Form ADV Part 1A under Item 7.A. Financial Industry Affiliations and Item 7.B. Private Fund Reporting for a complete list of Pathstone's Affiliated Funds and affiliated entities related to such funds.

Pathstone will at times advise a client to invest in one or more Affiliated Funds. Making investments through sponsored private funds as opposed to making direct investments in an underlying fund may result in some advantageous benefits for clients such as investment diversification that may reduce risk, providing economies of scale to access underlying managers and negotiating more favorable terms (*e.g.*, obtain fee breaks, meet higher fund minimum requirements, etc.) to name just a few. However, this may also result in less favorable outcomes for clients such as additional fees and expenses related to the costs of operating an Affiliated Fund, unexpected tax implications and other restrictions on an investor's ability to withdrawal from the fund or access liquidity and other unfavorable outcomes. Because the Affiliated Funds have limited or no liquidity, clients who terminate their relationship with Pathstone often cannot concurrently redeem or withdraw from Affiliated Funds. This creates a potential conflict of interest for Pathstone between its responsibility to advise on securities portfolios for the benefit of clients and its interest in fees payable on the continued investments in Affiliated Funds by clients that terminate their advisory relationship with Pathstone. For these and other reasons, there are several inherent conflicts for advisers when recommending clients invest in their sponsored pools. Pathstone only recommends its Affiliated Funds

where it believes the recommendation is appropriate for the client and is in the client's best interest.

Please see Item 5 for a description of Fee Arrangements and other information about Pathstone's Affiliated Funds program. It is also important to carefully read the offering and governing documents of each Affiliated Fund that set forth the terms and conditions related to making a private fund investment. The risks & conflict of interests addressed herein are not exhaustive nor a complete description of the potential or actual risks or conflict of interests related to making an investment in an Affiliated Fund. A prospect or client must carefully review the offering and governing documents as well as other fund-related materials with their professional advisors before making an investment.

### C. ANCHOR/SEED INVESTOR FUNDS AND RELATED REVENUE SHARE

An anchor or seed investor is typically the first or earlier investor to commit significant capital to a new manager or underlying fund. To the extent an Affiliated Fund determines to make a large capital commitment or investment to an emerging manager, the general partner may negotiate a revenue share arrangement for the benefit of its fund's investors. Pathstone and its personnel have financial interests in some of the Affiliated Funds. For example, Pathstone, its affiliates, and certain principals, employees and members of the investment team of the firm (the "Pathstone Interested Parties") engage in a broad array of activities, including financial advisory services, sponsoring, managing and advising other private investment funds and accounts ("Other Vehicles") and other activities beyond providing services to the Affiliated Funds.

In connection with such other activities, Pathstone may recommend to clients an Affiliated Fund that may invest in Other Vehicles managed by a third-party manager which has a revenue sharing arrangement with one or more Other Vehicles advised by the Pathstone Interested Parties. Under this revenue sharing arrangement, such Other Vehicles and the Pathstone Interested Parties will be entitled to receive a share of revenue (including both asset-based and incentive-based compensation) earned by the third-party manager of such underlying fund (the "Revenue Share" and such investment in the underlying fund, the "Transaction"). As a result of the Transaction, a portion of the management fees and carried interest charged to the Affiliated Fund by the underlying fund's manager will accrue to the benefit of certain Pathstone Interested Parties participating in the Revenue Share. Furthermore, the Pathstone Interested Parties may be incentivized to increase the Affiliated Fund's investment in the underlying fund considering the Revenue Share (as opposed to investing the Affiliated Fund's assets in third-party investment funds from which the Pathstone Interested Parties do not receive a Revenue Share).



#### D. EMPLOYEE AND OTHERS' PARTICIPATION IN PATHSTONE AFFILIATED FUNDS PROGRAM

Eligible Pathstone employees may be offered opportunities to invest alongside clients as part of Pathstone Affiliated Funds program subject to the Research and Legal & Compliance Teams' approval as well as the terms of the offering and governing documents of each Affiliated Fund. This includes, but is not limited to, participating in other managers sponsored private funds, related vehicles, or other investment pools, direct investments, or similar types of investment opportunities. Additionally, in conducting the investment program of the Affiliated Funds, the applicable general partner thereof may, from time to time, be presented with opportunities to co-invest in an investment in an underlying fund or other vehicle. The general partner may allocate such co-investment opportunities among Affiliated Fund(s), Affiliated Fund limited partners and/or any third parties (including Pathstone clients, personnel, the investment manager, the general partner, or any of their respective affiliates) as the general partner may, in its sole discretion, determine. As the general partner may allow certain Pathstone employees and/or employees of affiliates to invest in co-investment opportunities and allow such allocations to employees, this activity may trigger related party transaction(s) considerations.

#### E. AFFILIATED TRUST & FIDUCIARY SERVICES COMPANIES: WILLOW STREET AND LAUREL TRUST COMPANY

Pathstone is affiliated by common control and ownership to Willow Street and to LTC (collectively, the "Affiliated Trust & Fiduciary Services Companies"), which are respectively Wyoming- and Nevada-based trust and fiduciary services firms providing a long-term corporate trustee solution for families, individuals, and private foundations needing assistance in the administration, management, and stewardship of assets. Pathstone introduces some of its clients to the Affiliated Trust & Fiduciary Services Companies, who may engage the trustee or fiduciary services in accordance with a separately signed agreement with an additional fee. Additionally, Pathstone may provide clients of the Affiliated Trust & Fiduciary Services Companies with investment advisory services for which Pathstone will be separately compensated. As a result, a conflict of interest exists whenever we introduce clients to the Affiliated Trust & Fiduciary Services Companies, and conversely, when a client of the Affiliated Trust & Fiduciary Services Companies uses Pathstone for investment advisory services. Separately and in certain other cases, senior personnel of Pathstone serve individually as a trustee, general partner, or manager for an entity affiliated with a Pathstone client and/or for non-Pathstone client entities.

## F. ADVISOR PARTNERS II, LLC

AP II, a Pathstone affiliate, offers its services to Pathstone clients. Pathstone is under common control and ownership with AP II, a registered investment adviser providing discretionary sub-advisory services through two distinct investment programs: Separately Managed Accounts (“SMA”) and Unified Managed Accounts (“UMA”). AP II primarily provides sub-advisory services for the benefit of other registered investment advisers (“RIAs”) and their underlying clients (collectively referred to as “Other RIA Underlying Client Accounts”).

AP II builds customized portfolios for its clients through SMAs and UMAs. These services can be any combination of the following, including tax loss harvesting overlays, Environmental, Social, and Governance (ESG) overlays, factor tilts, implementation of client-driven asset allocations and custom index exposures and additional portfolio constraints. For the equity strategy, AP II invests in exchange-traded equity securities, exchange-traded funds (“ETFs”), mutual funds, and American Depository Receipts (“ADRs”). AP II may also invest in other types of securities including, but not limited to, fixed income and fixed income ETFs, foreign securities, multi-currency/foreign exchange, ordinaries and real estate investment trusts (“REITs”).

Depending on the type of product selected, AP II generally tailors its advisory services to the individual needs of the RIA. There are different types of products and investment structures AP II can implement for the RIA which can be offered to their Other RIA Underlying Client Accounts. For example, SMAs are generally highly customized based upon individual investment goals and objectives which are mutually agreed upon by AP II, the RIA, and the Other RIA Underlying Client Accounts. The underlying RIA client can impose reasonable restrictions on investing in certain securities or types of securities.

AP II typically charges a fee for its services in addition to the investment advisory fees payable to Pathstone. This creates a potential conflict of interest for Pathstone between its responsibility to advise on clients’ securities portfolios and its indirect interest in fees payable to AP II.

## G. SALTBOX II, LLC

Pathstone Intermediate Holdings, LLC owns and serves as the managing member of Saltbox II, LLC (“Saltbox”) and Saltbox is an affiliate with Pathstone. Saltbox serves as a private fund sponsor for two affiliated private funds. Pathstone through a separate services agreement, provides investment research, due diligence and other administrative support to Saltbox.

## H. CAMBRIAN CAPITAL MANAGEMENT, LLC

Cambrian Capital Management, LLC, Inc. (CRD #324623) (“Cambrian”) is an affiliate of Pathstone due to common control and ownership. Cambrian is a private market investment platform that seeks to deploy capital with highly qualified portfolio managers who are interested in starting their own firms. Cambrian is focused on opportunities in such specialties as buyout, growth, restructuring/turnaround, direct lending, and real estate.

## I. PATHSTONE OWNERS AND OTHER BUSINESS RELATIONSHIPS

Pathstone is privately owned with partner participation through equity ownership being an important part of the firm’s culture and character and a significant driver of firm growth. The firm’s equity ownership includes investment vehicles controlled by Kelso & Company (“Kelso”) and Lovell Minnick Partners (“LMP”), and certain Pathstone clients, in each case through intermediate subsidiaries.

Kelso (CRD# 131471) and LMP (CRD#156494) are separately registered investment advisers who sponsor and manage their own privately offered funds. Collectively, they own a controlling interest in Pathstone, through Pathstone Holdings, LLC and, indirectly through Pathstone Intermediate Holdings, LLC. Please see Pathstone’s Form ADV Part 1A, Schedule A Direct Owners & Schedule B Indirect Owners for more details.

Pathstone seeks to leverage the experience and resources of the business leaders, investors, entrepreneurs, philanthropists, and other professionals in its network to identify and diligence what it believes to be attractive investment opportunities for its clients in underlying funds and other investments managed by third-party underlying managers. This network includes Pathstone clients, owners, directors, creditors, and other persons with whom Pathstone has a relationship, including affiliates of the foregoing (“Benefited Persons”), and in certain instances this network may introduce Pathstone to new clients. These relationships may involve arrangements between a Benefited Person directly or indirectly through one or more underlying funds managed by such persons. The Benefited Persons operate independently of Pathstone and engage in a broad array of activities, including financial advisory services, asset management, and lending activities, and have wide-ranging relationships, including relationships that are not known to Pathstone. As a result, it may be difficult for Pathstone to anticipate or manage potential conflicts as they arise. In some instances, Pathstone may be prohibited by law, regulation or contract, from receiving the full details of any commercial relationship. Moreover, Benefited Persons themselves may engage in commercial or other business activities directly or indirectly with underlying funds or underlying managers, whether as an investor or a creditor, including underlying funds identified as a potential investment for Pathstone clients.

Pathstone allocates client capital to what it believes to be attractive investments in underlying funds and other investments managed by underlying managers without regard to any business or commercial relationships that Pathstone may have with such underlying funds or managers; however, where deemed appropriate, Pathstone allocates capital to underlying funds (“Benefited Investment Funds”) and underlying managers (“Benefited Investment Advisers”) with respect to which Benefited Persons are control persons or in which Benefited Persons have a financial interest. The incentives created by Pathstone’s relationships with Benefited Persons potentially conflict with the firm’s duty to treat each client equitably and make recommendations in the best interest of the client. Pathstone may be influenced in its recommendations to clients regarding investment in an underlying fund or its oversight of such underlying fund. For instance, if a Benefited Investment Fund seeks the consent of investors, including Pathstone Clients, Pathstone’s recommendations to its clients may be affected by such Benefited Investment Fund’s overall relationship with both Pathstone and the Benefited Person. There is no assurance that such pre-existing (or potential future) relationships will not influence whether or how much of an investment opportunity in an underlying fund is offered to any Pathstone client in any instance, or Pathstone’s oversight of such underlying fund on behalf of Pathstone clients. Pathstone is committed to making recommendations in the best interest of the client. For more details, please refer to how Pathstone mitigates these potential conflicts below and in Item 11.

#### J. PRIME GROUP

Prime Finance Advisor, L.P. and/or its affiliates including Prime Residential Advisor, LLC (collectively, “Prime Group”) serve as general partner and investment adviser to several private funds, some of which invest primarily in real estate and related assets (the “Prime Residential Funds”). Some of the Prime Residential Funds from time to time invest cash reserves in another pooled investment vehicle advised by Prime Group (the “Liquidity Fund”). The Liquidity Fund and one or more senior executives and/or their family members are clients of Pathstone. Pathstone does not control the Prime Residential Funds’ decisions to invest their assets in the Liquidity Fund or the Liquidity Fund’s decision to engage Pathstone to provide investment advice to it. However, Pathstone has selected or recommended, as applicable, investments in certain Prime Residential Funds to some of our clients and indirectly benefits from these investments to the extent Prime Group invests such funds’ cash reserves in the Liquidity Fund.

#### K. MITIGATION OF ACTUAL OR POTENTIAL CONFLICTS

The firm mitigates potential or actual conflicts, including in the following ways. See also Item 11.

**Fair Allocation of Investment Opportunities.** Please see a summary of our Allocation Policy in Item 11.C.

**Compensation Policies.** The firm compensates personnel with a set salary and a bonus based on overall firm performance and individual contributions. Personnel are sometimes eligible to receive additional compensation for introducing new clients to the firm (see Item 14). Personnel do not receive commissions. Personnel compensation is not based on the value of client portfolios, fee structures, or particular investment recommendations.

**No Placement or Similar Fees.** Pathstone focuses on investment advisory and professional services, and revenues are earned for the fees in providing these services. We do not receive or accept any placement or similar fees from underlying investment managers or service providers, including Benefited Persons or Benefited Investment Funds, in connection with our investment recommendations. The firm recommends an investment to a client only if the firm believes the recommendation is appropriate for the client and is in the client's best interest. Pathstone's fee schedule is designed to be inclusive of all our services, including portfolio management, asset allocation, client service, and reporting. Please see Item 5 for more details on Fee Arrangements.

**No-Management Fee Share Class or Category Type/Advisory Fee Breaks for Advisory Client Investments in Affiliated Funds.** Please see Item 5 for a discussion of the Affiliated Fund no-management fee share class or category type and Fee Breaks available for advisory clients invested in certain Affiliated Funds.

**Investment Due Diligence, Decision-Making, and Monitoring.** Please see "Methods of Analysis, Investment Strategies and Risk of Loss" in Item 8. Pathstone has robust research, investment, and portfolio management processes led by the Co-Chief Investment Officers and other senior members of the Research Team dedicated to meeting our clients' needs. Through such reviews and processes, each firm-recommended investment opportunity will be thoroughly vetted, discussed, and debated before the recommendation is finalized.

**Fairness to Clients.** The firm seeks to resolve all potential or actual conflicts in a manner that is generally fair to all its clients.

**Best Interests of Clients.** The firm recommends an investment to a client only if the firm believes the recommendation is appropriate for the client and is in the client's best interest.

**Disclosure.** Pathstone discloses known potential or actual conflicts of interest to prospective and existing clients, as applicable.

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

### A. CODE OF ETHICS

Pursuant to SEC Rule 204A-1, Pathstone has adopted a Code of Ethics for all supervised persons of the firm describing its standard of business conduct and fiduciary duty to its clients under the Advisers Act. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, the maintenance of a Restricted List in specific securities, requirements with respect to personal trading intended to avoid actual or mitigate potential conflicts with any client's interests, limitations with respect to gifts and business entertainment, among other requirements. Employees at Pathstone must comply with and acknowledge the terms of the Code of Ethics annually, or as materially amended. The Code of Ethics also includes requirements related to confidential treatment of certain information. The Code of Ethics is an exhibit to the firm's Compliance Manual.

Pathstone reviews the Code of Ethics and other compliance policies and procedures in its onboarding of new employees and provides annual training on compliance topics to employees. Annually, personnel are required to certify in writing that they have received a copy of and complied with the provisions of the Compliance Manual, including the Code of Ethics and any amendments, and submit other compliance-related certifications. The Pathstone Compliance Group ("PCG") actively monitors compliance with the Compliance Manual and the Code of Ethics and recommends sanctions deemed appropriate for violations. Additionally, through separate service agreements, PCG also provides compliance personnel and other resources on behalf of and for the benefit of certain affiliates such as AP II and Cambrian.

Clients or prospective clients may request a copy of the Code of Ethics by contacting PCG via email at [compliance@pathstone.com](mailto:compliance@pathstone.com).

### B. POTENTIAL OR ACTUAL CONFLICTS

The firm may give advice and act with respect to any of its clients that differs from advice given or the timing or nature of action recommended with respect to any other client. The firm is not obliged to acquire for any client account securities or investments that the firm or its personnel may acquire for its or their own accounts or for the account of any other client if, in the absolute discretion of the firm, it is not practical or desirable to acquire a position in such security for that account.

Pathstone and its personnel may buy or sell securities (including private funds or private company interests or shares) for their own accounts based on personal investment considerations, subject always to their compliance with the personal trading

requirements within the Code of Ethics. It is also likely that such investment opportunities may not be suitable or appropriate for Affiliated Funds or other clients.

Pathstone and its personnel or affiliates are, from time to time, presented with opportunities to invest in securities of the same classes as are purchased for clients and may purchase, hold, and/or sell securities of issuers in which clients are invested. These securities include the Affiliated Funds, private funds managed by managers other than Pathstone, mutual funds (including the Mutual Fund), exchange-traded funds, direct investments in operating companies, and other opportunities. If Pathstone and its personnel invest personally in securities that Pathstone invests in or recommends for its clients, they may do so at different times and different values. Moreover, Pathstone and its personnel may determine to sell or redeem these securities at different times than Pathstone advises its clients to do so, which may result in Pathstone or its personnel obtaining better value. The firm has adopted policies and procedures within its Code of Ethics to address conflicts of interest associated with personal investment activities by Pathstone personnel.

Pathstone personnel that invest (i) in pooled investment vehicles that invest in certain of the Affiliated Funds or (ii) directly in an Affiliated Fund generally are not charged a management fee by such entities. See also the description of employee participation in Affiliated Funds in Items 5 and 10.

In certain instances, a client of Pathstone buys or sells an investment directly from or to another client and Pathstone facilitates the transaction without exposing it to the market (“Cross Trades”). In general, Cross Trades can create conflicts of interest because, by not exposing such transactions to market forces, a client may not receive the best price otherwise possible and Pathstone could favor one client over another. However, Pathstone engages in Cross Trades only where it believes the trade is in the best interest of clients on both sides of the trade. Pathstone does not act as a broker-dealer or otherwise directly or indirectly receive any commission or other transaction-based compensation for facilitating any Cross Trade.

The firm sometimes enters confidentiality or “standstill agreements” when assessing investment opportunities and/or monitoring investments, and firm personnel sometimes acquire confidential or MNPI affecting certain issuers. In addition, from time to time, senior Pathstone personnel serve on advisory boards of underlying funds in which clients or Affiliated Funds are or may invest, as well as on the board of directors of one or more companies that results in them having MNPI. It is the policy and practice of the firm to add issuers for which the firm or personnel has MNPI to its “Restricted List.” The Restricted List may constrain the firm and its personnel from implementing investment decisions with respect to issuers on the Restricted List.

Please see Item 10 above for certain scenarios in which Pathstone allocates client capital to underlying funds and other investments managed by underlying managers in which

it or a related person has a direct or indirect financial interest (for example, the scenarios described under the following Item 10 headings: “B. Affiliated Funds,” “C. Anchor/Seed Investor Funds and Related Revenue Share,” “F. Advisor Partners II, LLC,” “I. Pathstone Owners and Other Business Relationships,” “J. Prime Group,” and “K. Mitigation of Actual or Potential Conflicts”).

There may be conflicts of interest or other constraints over the time devoted to any client relationship or account of the firm and its affiliates as well as the allocation of investment opportunities among such accounts. Pathstone has adopted policies and procedures to address such conflicts.

### C. MITIGATION OF POTENTIAL OR ACTUAL CONFLICTS

The firm mitigates potential or actual conflicts, including in the following ways. See also Item 10.

**Fairness to Clients.** The firm seeks to resolve all potential or actual conflicts in a manner that is generally fair to all its clients.

**Best Interests of Clients.** The firm recommends an investment to a client only if the firm believes the recommendation is appropriate for the client and is in the client’s best interest.

**Fair Allocation of Investment Opportunities.** The firm seeks to allocate investment opportunities fairly over time to its clients in a manner consistent with the firm’s fiduciary duties as an investment adviser, taking into consideration each client’s investment objectives, restrictions, or policies. Allocations of capacity constrained trades follow written procedures that are specific to Pathstone’s legacy organizations and are reasonably designed to allocate such opportunities fairly over time. The type and amount of fee paid by a client is not considered in determining the allocation of investment opportunities.

**Compensation Policies.** Pathstone personnel are compensated on a set salary basis, and a bonus based on overall firm performance and individual contributions. Personnel do not receive commissions. Personnel compensation is not based on the value of client assets, fee structure or specific investment recommendations.

**Trading by Pathstone Personnel.** Pathstone maintains personal trading policies and procedures intended to avoid or mitigate actual and potential conflicts of interest. Employee trading is reviewed under the Code of Ethics, which has been reasonably designed to prevent conflicts of interest between Pathstone and its clients. The firm’s monitoring and review of personal trading is, in certain instances, individually tailored to one or more legacy acquired organizations in consideration of historically distinct business practices, compliance monitoring systems, and other compliance considerations.



## ITEM 12. BROKERAGE PRACTICES

Registered Investment Advisers (“RIAs”) such as Pathstone typically do not execute trades themselves, but instead, they send or “route” their clients' trade orders to a broker-dealer for execution (“Trade Order Routing”). The broker receives the order from the RIA and then routes it to the appropriate exchange or market center for execution. Pathstone, as a fiduciary, has a duty to act in their clients' best interests, which includes diligently researching and selecting brokers and venues that provide "best execution" for their clients' orders – that means having Trade Order Routing policies and procedures in place to ensure client orders are routed to venues that execute efficiently and competitive prices.

Trade Order Routing activity is coordinated through trading and operational groups within certain Pathstone offices (e.g., primarily through Capital Markets Group and its Regional Trading Operational Teams (defined below)). Depending on the office, such Trade Order Routing activity typically includes, but is not limited to, the routing of purchase or sale of cash or cash equivalent instruments, equity and debt securities, exchange traded funds, mutual funds, options as well as other types of publicly traded securities. For example, the Capital Markets Group coordinates the Trade Order Routing activity of the regional offices through its operational group designees (collectively, referred to herein as the “Regional Trading Operational Teams”) to the extent it effectuates trade routing on behalf of clients through broker dealers, banks or other mutual fund departments. Certain Trade Order Routing activity, such as ETFs or mutual fund purchases (or other investments), may be implemented directly by the Regional Trading Operational Teams (e.g., SF/NYC, Boulder/Denver, or Rhode Island). Ultimately those operational group designees or team members report through and directly to the Capital Markets Group any material trade errors, trade breaks, or other material trading issues, etc. requiring the attention of the Capital Markets Group. The Capital Markets Group coordinates and resolves these issues, or if necessary, elevates them to the Legal & Compliance Group and/or Pathstone's Executive Leadership Team on a case-by-case basis until resolved.

### **Capital Markets Group - Trade Order Routing Activity**

Depending on each client's circumstances, the Capital Markets Group generally will recommend the brokerage and clearing services of Pershing Investment Manager Services (“Pershing”), Fidelity Brokerage Services, LLC (“Fidelity”) or the Schwab Advisor Services division of Charles Schwab & Co., Inc. (“Schwab”) for investment management accounts. Although Pathstone may recommend these or other brokerage or custodial arrangements to advisory clients, it is ultimately the client's decision where to custody their assets and to determine the custodial services and fee arrangements selected. In certain situations, custodial services and fee arrangements at our preferred brokerage and custodial relationships are negotiated by Pathstone on behalf of our clients to gain better efficiency and economies of scale, asset size fee breaks or other discounts, or for other reasons. For

non-Pathstone recommended brokerage or custodial relationships, those fees and services are separately negotiated and determined by the client. The brokerage commissions and/or transaction fees charged by brokers-dealers are separate and apart from Pathstone's Fee Arrangements and any applicable Asset or Incentive-Based Fees related to investments made through the Affiliated Funds program.

Capital Markets receives, tracks, and routes securities orders in a working queue. Trade orders are routed once received and reviewed for accuracy by Capital Markets team members. The Capital Markets Group primarily routes the purchase or sale of cash or cash equivalent instruments, equity and debt securities, exchange traded funds, mutual funds, options as well as other types of publicly traded securities directly with the trading desk of the client's custodian relationship.

The firm does not negotiate "execution only" commission rates. In selecting a broker, Capital Markets Group may consider, among other things, the broker's commission rate, execution capabilities, actual experience, efficiency, promptness, financial stability, reputation, confidentiality, operational and administrative expertise and support, and research services provided by the broker.

A client may, in its sole discretion, elect a different broker-dealer to execute securities transactions. Clients may direct Pathstone to use a specific broker, and some clients have relationships with brokers that predate their relationship with Pathstone. In these directed brokerage situations, the firm has not negotiated the terms and conditions (including, but not limited to, commission rates) and does not have any responsibility for obtaining best execution. Clients who direct Pathstone to use a specific broker may pay higher commission rates or receive less favorable execution transactions than non-directing clients. For example, in directed brokerage accounts, clients may pay higher brokerage commissions than the firm has negotiated with Pershing, Fidelity and Schwab. Pathstone may direct a client account to pay a brokerage commission exceeding that which another broker might charge for effecting the same transaction, in recognition of the value of the execution capabilities.

Pathstone does not receive research or other products or services from any broker-dealer or third party explicitly in connection with client securities transactions ("soft dollar benefits"). In selecting or recommending broker-dealers, Pathstone does not consider whether it or a related person receives client referrals from a broker-dealer or third party.

Capital Markets Group receives research from brokers through which the firm and/or its clients affect transactions as well as possibly other brokers. Research services furnished by brokers may be used in servicing all Pathstone's accounts. Not all these services may be used by Pathstone in connection with accounts that paid commissions to the brokers providing such services. Research received from brokers is generally developed by the brokerage firm, rather than by third parties. When Pathstone obtains research from brokers, it receives a benefit because it does not have to produce or pay for the research.

The firm may have an incentive to select or recommend a broker based on the firm's interest in receiving research or other products or services, rather than on a client's interest in receiving most favorable execution.

### **Philadelphia Metro Trading Group (PHL Metro Trading) – Trade Order Management**

Philadelphia Metro Trading Group is one of the Regional Trading Operational Teams that ultimately report up through and directly to the Capital Markets Group any material trade errors, trade breaks, or other material trading issues, etc. that will require Capital Markets Group's attention. As a legacy organization it currently utilizes a different trade order management system (referred to internally as "Transaction Processing System" or TPS") to handle the trade order management flow as well as trade execution platforms. Additionally, PHL Metro Trading has some unique trading activities and capabilities utilizing different people, processes and systems than those used in the Capital Markets Group or Regional Trading Operational Teams and therefore is described separately herein. PHL Metro Trading builds customized cash management, fixed income securities (e.g., customized bond portfolios), and index strategies for client securities portfolios.

A client may, in its sole discretion, elect a different broker-dealer to execute securities transactions. Clients may direct Pathstone to use a specific broker, and some clients have relationships with brokers that predate their relationship with Pathstone. In these directed brokerage situations, the firm has not negotiated the terms and conditions (including, but not limited to, commission rates) and does not have any responsibility for obtaining best execution. Clients who direct Pathstone to use a specific broker may pay higher commission rates or receive less favorable execution transactions than non-directing clients.

For best execution, PHL Metro Trading uses the following factors, among others, to evaluate its brokerage arrangements and total execution quality of client trades: competitiveness of price spreads; minimal market impact; timeliness of execution and reporting; liquidity of the securities traded; frequency and correction of trading errors; business reputation of broker/dealer; back office and trade settlement capabilities; responsiveness to PHL Metro Trading's orders; availability of accurate information and research; and overall responsiveness to the desk's needs.

If multiple clients execute trades in the same security on the same day, PHL Metro Trading may use average pricing in the execution price of trades that occur around the same time and with the same objective. Client accounts (as well as any employee's trades) participating in an aggregated order will receive the average price for the security. In some instances, average pricing may result in higher or lower execution prices than otherwise obtainable by a single client account. Pathstone uses this procedure to avoid any preferential treatment among client accounts or to employees.

## ITEM 13. REVIEW OF ACCOUNTS

Pathstone generally reviews all client accounts approximately quarterly and provides clients with detailed quarterly reports about their accounts. It is important to note that the manner, scope, and frequency of account reviews depend upon the office and any legacy organization's unique historic review processes and procedures that are still in effect and in use by that office.

### A. ACCOUNT REVIEWS

**Clients.** For those clients to whom Pathstone provides investment advisory services, Pathstone generally conducts periodic account reviews on an "as needed" basis, which may be in conjunction with the preparation of client's quarterly reports. This informal review may include assessing client goals and objectives, monitoring the portfolios and addressing the need to rebalance. Accounts are reviewed in the context of the client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, market conditions, or the political or economic environment. We maintain policies and procedures that address client account reviews.

All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Pathstone and to keep Pathstone informed of any changes thereto. Pathstone expects to contact investment advisory clients at least annually to review its previous services and/or recommendations and to discuss any changes in the client's financial situation and/or investment objectives.

Additional reviews that Pathstone may periodically perform on behalf of clients include tax-planning, cash-flow needs, as well as charitable giving, insurance, and estate planning. Financial plans we prepare are not necessarily reviewed periodically; however, we attempt to meet at least annually with those clients and offer the opportunity to review all the financial matters a client may wish to discuss or more frequently upon client request.

**Affiliated Funds.** Personnel responsible for overseeing the Affiliated Funds meet quarterly or more frequently to review performance and address other subjects relating to the Affiliated Funds.

### B. CLIENT REPORTS

Unless otherwise agreed upon, clients receive account statements directly from the broker-dealer, custodian, or underlying manager for their accounts. Investment advisory clients of Pathstone also receive a customized report from Pathstone of account and/or market-related information such as an inventory of account holdings and account performance. The design, type, scope, and number of details provided in such reports are subject to the agreement of the parties at the time of the client

onboarding including any subsequent adjustments made to such reports or timing periods anytime thereafter.

Most of the trading activity related to advisory client accounts is in marketable securities with a readily available market price pulled from subscription-based, independent data pricing services. The next largest segment of a client portfolio is private investments such as hedge funds, private equity funds, real estate funds, etc. that are fair valued by third parties. Typically, there are two types, namely, unaffiliated funds of underlying managers or Affiliated Funds. These investment managers provide investors capital statements, audited financial statements, investor letters, notices, and other types of valuation information and methodologies with a price for the fair valued investments that is entered into Pathstone's client portfolio accounting systems.

There are also certain fair valued investments that are specific or unique to certain advisory clients. For example, a privately held family business, interfamily loans, artwork, etc. Such investments are valued by the client's team of advisors such as family office staff, controllers, accountants, or financial services personnel (collectively, "Client Service Providers"). Typically, Pathstone is provided with the most recent valuations for these private investments by the Client Service Providers. These fair valued investments may be tracked in a customized quarterly report as an appraisal or separate schedule at the client's direction.

Those clients to whom Pathstone provides financial planning and/or consulting services will receive reports as requested by the client or otherwise agreed to in writing by Pathstone.

**Affiliated Fund Investor Reports.** Investors in the Affiliated Funds generally receive quarterly capital statements, and investors in certain Affiliated Funds also receive periodic performance statements and/or investor letters. Investors in Affiliated Funds will receive annual audited financial statements within 120 or 180 days of their fiscal year-end.

It is important to note that client reporting processes and procedures may vary by office from the general description above depending upon any legacy organization's unique historic reporting capabilities that are still in effect and in use by that office.

#### ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

Pathstone may compensate unaffiliated promoters (*i.e.*, an independent third party) to solicit clients on behalf of Pathstone. These third-party promoters have an economic incentive to recommend the advisory services of Pathstone. Each promoter referring advisory clients is typically paid a portion of the fees (*e.g.*, investment management, consulting, or other similar types of fees charged) Pathstone receives from each client. These or other similar types of fees sharing arrangements are set forth in separate written

agreement with each promoter. These arrangements do not result in a higher advisory fee than would customarily be charged to clients.

Pathstone employees may also be eligible to receive additional compensation if they introduce new clients to the firm. Employees who receive such additional compensation must comply with the requirements of the Advisers Act and any corresponding state securities law requirements. The employee compensation arrangements for referrals do not impact on the amount that Pathstone charges a client.

Pathstone has negotiated various strategic partnerships with non-financial business entities to provide additional family office concierge services to its clients. On occasion, employees of Pathstone may participate in or utilize these services at the comparable fee level charged Pathstone's clients.

Please see Item 10 above for a description of Pathstone's affiliates and certain revenue-sharing arrangements.

### **Potential Conflicts Regarding the Relationships of Pathstone and its Owners**

Pathstone's owners, including their respective affiliates, operate independently of Pathstone, and engage in a broad array of activities, including financial advisory services, asset management, and lending activities, and have wide-ranging relationships, including relationships unknown to Pathstone. In some instances, Pathstone may be prohibited by law, regulation or contract, from receiving the full details of any commercial relationship. As a result, it may be difficult for Pathstone to anticipate or manage potential conflicts.

## **ITEM 15. CUSTODY**

**Pathstone Investment-Related Services.** As part of Pathstone's investment advisory services, Pathstone does not have physical custody of any client assets or securities and does not act as the custodian for client assets. Client assets are held at a third-party custodian generally of the client's choosing. The custodian will maintain the underlying records for the assets in a client's account, and each client will be solely responsible for paying all fees and charges of the custodian as stated in a separate agreement between the client and the custodian. Clients will receive quarterly or more frequent account statements directly from a qualified custodian of their choosing, such as a broker-dealer or bank. Clients should carefully review such account statements. In addition, Pathstone urges clients to compare the statements received from qualified custodians to the reports of accounts received from Pathstone. Nevertheless, due to certain activities, Pathstone is deemed, under the federal securities laws, to have custody of client assets. As a result, it engaged the services of an independent accounting firm to conduct a surprise examination of these accounts to ensure Pathstone's compliance with the custody rules.

Additionally, as the result of Pathstone sponsoring Affiliated Funds, the applicable affiliated general partners of these private funds are deemed, under the federal securities laws, to have custody of client assets. The general partners do not have actual physical custody of any client's assets or securities invested in by the funds. All such assets are held in the name of each fund by an independent, unaffiliated qualified custodian. The Affiliated Fund's financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and each Affiliated Fund is audited at least annually by an independent public accountant that is registered with, and subject to regular inspection by the Public Company Accounting Oversight Board in accordance with its rules. The audited financial statements are made available to all investors in the Affiliated Funds within 180 days of their fiscal year end (or 120 days if applicable). Upon liquidation of an Affiliated Fund, Pathstone distributes the final audited financial statement to all investors in the Affiliated Fund promptly after the completion of such an audit. Pathstone urges its clients to carefully review the annual audited financial statements.

**Pathstone Professional Services.** Separate and apart from its investment advisory related services, Pathstone offers a wide range of non-investment wealth management services and solutions, including, without limitation, expense and cash management, financial reporting, concierge services, philanthropic management, and tax compliance/tax return preparation. In instances where LTC is engaged to serve as a client trustee, LTC also acts as a qualified custodian and obtains an internal control report. Specific services arrangements are agreed to by the client depending on such client's unique preferences. These services are performed by separate groups other than Client Advisors.

## ITEM 16. INVESTMENT DISCRETION

The firm provides investment services on either a non-discretionary or discretionary basis, as reflected in the firm's agreement with a client. For both types of relationships, the firm coordinates the construction of investment portfolios, conducts initial and ongoing investment and operational due diligence, and generally receives statements and other communications directly from underlying managers. Unless otherwise instructed or directed by a discretionary client, Pathstone generally has the authority to: (i) determine the securities to be purchased and sold for the account (subject to any restrictions set forth in the advisory agreement and any written investment guidelines); (ii) determine the amount of securities to be purchased or sold for the account; and (iii) determine the broker used to effect the client's securities transactions, if none has been directed by the client.

The firm charges the same fees, as described in Item 5 above, for non-discretionary and discretionary client relationships.

The firm and/or its affiliates are general partners or underlying managers of the Affiliated Funds, and in those roles, exercise discretionary investment authority over the Affiliated Funds.

## ITEM 17. VOTING CLIENT SECURITIES

Generally, the types of investments recommended by Pathstone do not solicit proxy votes from shareholders, and Pathstone is typically not responsible for voting proxies on behalf of its clients. However, there are limited situations where the firm has the responsibility to vote proxies, such as for securities held by the Mutual Fund or Affiliated Funds in instances where proxy voting authority has not been delegated to a sub-adviser. In addition, Pathstone may be required to vote proxies for a retirement benefit arrangement subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) in any case in which such authority has been delegated to Pathstone in the client’s agreement. The firm has adopted proxy voting procedures and guidelines for those limited instances where the firm may have responsibility to vote proxies.

Clients may obtain copies of these proxy voting policies and guidelines by contacting the Pathstone Compliance Group via email at [compliance@pathstone.com](mailto:compliance@pathstone.com). In addition, if Pathstone has proxy voting responsibility for a client, upon request, it will provide a record of how the client’s shares were voted. Pathstone annually reports how it voted on proposals relating to executive compensation (“say-on-pay”) matters on Form N-PX no later than August 31 of each year for the most recent 12-month period ended June 30, as required by Rule 14Ad-1. A copy of Form N-PX may be obtained, without charge, in the manner noted above or on the Securities and Exchange Commission’s website at <http://www.sec.gov>.

### **Class Actions, Bankruptcies and Other Legal Proceedings**

Other than for our Affiliated Funds, Pathstone will neither advise nor act on behalf of a client in legal proceedings involving securities held in clients’ accounts. Clients are generally responsible for handling such claims involving securities held, or previously held, in the client’s accounts, including, but not limited to, the filing of “Proof of Claim” in class action settlements. Pathstone may, in its discretion, engage an independent third-party provider to assist in such matters or facilitate the direct engagement of such a third-party provider by its clients.

## ITEM 18. FINANCIAL INFORMATION

Pathstone does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.