KOVITZ INVESTMENT GROUP PARTNERS, LLC
Disclosure Brochure
(Form ADV Part 2A)

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115 S. LaSalle Street
27th Floor
Chicago, IL 60603

(312) 334-7300

This disclosure brochure ("Brochure") provides information about the qualifications and business practices of Kovitz Investment Group Partners, LLC (KIG). If you have any questions about the contents of this Brochure, please contact us at 312.334.7300 or at info@kovitz.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC does not imply a certain level of skill or training.

Additional information about KIG also is available on the SEC's website at

www.adviserinfo.sec.gov

MATERIAL CHANGES

This section discusses only specific material changes that are made to this Brochure since the Brochure dated October 15, 2018. It does not describe other modifications to this Brochure, such as stylistic changes or clarifications.

Generally, we revised and expanded certain information to help clients better understand our firm and the investment products we offer, the business issues we face, and the risks associated with investing and with our investment process.

- Under "KIG's Investment Advisory Business," we have added disclosures about KIG's recent acquisition of Northern Capital Management, LLC, another investment adviser, and the additional services that KIG offers to clients following the acquisition, including equity, fixed income and exchange-traded fund strategies;

- Under "Fees and Compensation," we have amended our discussion of fees and expenses related to the advisory services that KIG provides following the acquisition of Northern Capital Management, LLC (and KIG's previous acquisition of AFAM Capital);

- Under "Types of Clients," we have updated our "Investment Minimums" for new clients (depending on the "division" under which KIG is providing investment advisory services to them);

- Under "Voting Client Securities," we have amended our "Class Action Claims" disclosures.

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KIG'S INVESTMENT ADVISORY BUSINESS

KIG is an investment adviser that provides investment management, wealth management, and financial planning services. KIG has over 70 employees, and we provide our services to individual and institutional clients. Our institutional clients include endowments, employee benefit (ERISA) plans, corporations, and other entities.

As of December 31, 2018, KIG managed approximately 4,300 accounts on a discretionary basis with assets totaling approximately $3.7 billion. On January 1, 2019, KIG acquired Northern Capital Management, LLC ("NorCap"), an investment adviser based in Madison, Wisconsin. As a result of the acquisition, the firm's combined assets under management were approximately $4.2 billion across approximately 4,400 accounts. Please refer to various places throughout this Brochure for discussions related to NorCap.

We generally do not manage assets on a non-discretionary basis. In addition, we calculate our assets under management on a "net" basis (rather than gross), although the differences between the two are usually not significant.

KIG began as Kovitz Investment Group, LLC, which was formed on October 1, 2003, after its owners left Rothschild Investment Corp. in Chicago, where they had been providing investment advisory services as the "Kovitz Group" since 1996.

KIG is part of the Focus Financial Partners, LLC ("Focus LLC") partnership. Specifically, KIG is a wholly-owned subsidiary of Focus Operating, LLC ("Focus Operating"), which is a wholly-owned subsidiary of Focus LLC. Focus Financial Partners Inc. ("Focus Inc.") is the sole managing member of Focus LLC and is a public company traded on the NASDAQ Global Select Market. Focus Inc. owns approximately two-thirds of the economic interests in Focus LLC.

Focus Inc. has no single 25% or greater shareholder. Focus Inc. is the managing member of Focus LLC and has 100% of its governance rights. All governance is through the voting rights and Board at Focus Inc. As of the end of 2018, investment vehicles affiliated with Stone Point Capital, LLC ("Stone Point") had a greater than 25% voting interest in Focus Inc., and Stone Point had the right to designate two of seven directors on the Focus Inc. Board. As of the end of 2018, investment vehicles affiliated with Kohlberg Kravis Roberts & Co. L.P. ("KKR") had a less than 25% voting interest in Focus Inc., and KKR had the right to designate one of seven directors on the Focus Inc. Board.

Focus LLC also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial service firms (the "Focus Partners"), most of which provide wealth management, benefit consulting and investment consulting services to individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, or investment companies as disclosed on their respective Form ADVs.

Investment Management – General

Our main business is providing discretionary investment advice to individuals and institutions in separate accounts (further described below under the section entitled "Investment Discretion"). We primarily invest each of our client's portfolios in equities (stocks) and/or fixed income (bond) securities. Each of our clients has his/her own account, and the equities and bonds in the account are usually individual securities.

We first consult with our clients to understand their financial situation, such as their objectives for asset growth, income and liquidity, principal protection, risk tolerance, and tax minimization.

We next, based on the above information, recommend each client's initial target asset allocation, generally meaning the percentage of stocks and bonds to be put in the portfolio. After working with the client to select an appropriate asset allocation, KIG implements it across all of the client's accounts ("allocation group"). Generally, KIG manages an asset allocation at the allocation group level, which means there may be variation as to asset allocation within a specific underlying account. In addition, if a client adds an account to their relationship with us, we will add the account to the existing allocation group, with the agreed-upon asset allocation, unless directed otherwise by the client. We meet with our clients to understand their needs, circumstances and objectives, work with our clients' other advisers, and rebalance, and periodically review the client's asset allocation. We will consider the client's individual situation and the nature, position size, and suitability of specific securities when reviewing and making purchase and sale decisions for each of our clients. In this manner, we tailor our investment management services to the needs of our clients.

Our clients may restrict us in the management of their accounts, such as the amount, type, or identity of stocks or bonds to buy or sell, as long as they are reasonable, consistent with our professional responsibility and investment philosophy, and allow us to substantially implement our investment strategies.

Investment Management – AFAM Division

KIG also offers discretionary investment advice on individual securities to clients by way of its AFAM division (referred to as the "AFAM Division" throughout this Brochure) through various strategies in separately managed accounts. The AFAM Division's philosophy includes primarily investing in equity securities that are considered out-of-favor and undervalued by the investing public. The philosophy also includes holding them until they have reached what their investment team believes is a reasonable fair value, or until the team finds equity candidates with what it believes are more attractive risk/reward attributes, or the particular equity's risk/reward profile does not justify continued ownership. Additional details about the AFAM Division's strategies are further described in the sections entitled, "Equities – AFAM Division," "ETFs – AFAM Division," and "The Prudent Speculator – AFAM Division."

Investment Management – NorCap Division

In addition, KIG offers discretionary investment advice through various strategies in separately managed accounts via its NorCap division ("NorCap Division"). The NorCap Division's philosophy includes investing primarily in equity and fixed income securities, along with exchange-

traded funds ("ETFs") and mutual funds. Client accounts in the NorCap strategies can solely hold equities, solely fixed income securities, or a combination of several security types. The NorCap Division's philosophy is suited for those who share their belief in long-term investment strategies. Additional details about the NorCap Division's strategies are further described in the sections entitled, "Equities – NorCap Division" and "Fixed Income Securities – NorCap Division."

Equities – General

For the equities portion of our clients' portfolios, we seek total return and long-term capital appreciation. Total return is generally viewed as a combination of dividends and other income and stock price appreciation. We look to maximize the investment return we achieve given the investment risk we take. We view risk as the odds of a permanent loss of capital and not volatility of returns. We emphasize the preservation of capital primarily by investing in companies we believe to be significantly undervalued. These companies are usually larger capitalized companies. We strive to achieve superior long-term performance for our clients by purchasing stock in competitively advantaged and financially strong companies at prices substantially less than our assessment of their intrinsic (business) value. We approach buying equities for our clients as if we are part owners of businesses, not traders of stocks.

Equities – AFAM Division

The AFAM Division's equity strategies include the following:

- The Select Value strategy includes both dividend and non-dividend paying stocks and seeks broad diversification via exposure to a significant number of major market sectors and industry groups. For client accounts in this strategy, the AFAM Division's investment team typically builds portfolios containing 70 to 90 positions.

- The Select Focused Value strategy generally includes both dividend and non-dividend paying stocks and seeks broad diversification through exposure to a significant number of major market sectors and industry groups with a concentrated approach. For client accounts in this strategy, the investment team typically builds portfolios containing 30 to 35 positions.

- The Select Dividend strategy generally includes dividend-paying stocks and seeks broad diversification through exposure to a significant number of major market sectors and industry groups. Given the dividend-emphasis, the investment team typically builds client portfolios that initially contain 60 to 80 securities.

- The Select Focused Dividend strategy generally includes dividend-paying stocks and seeks broad diversification via exposure to a significant number of major market sectors and industry groups with a concentrated approach. For client accounts in this strategy, the investment team typically builds portfolios that contain 30 to 35 positions.

- The Select SMid Dividend strategy includes primarily micro, small, and mid-cap dividend paying stocks, and seeks broad diversification to a significant number of major market sectors and industry groups, although market appreciation sometimes results in these stocks

moving into what is known as the "large-cap" category. For client accounts in this strategy, the investment team typically builds portfolios containing 70 to 90 positions.

- The Prudent Speculator strategy generally mirrors the TPS portfolio ("TPS Strategy"), the basis for "The Prudent Speculator" newsletter (which is further described below). The TPS Strategy includes both dividend and non-dividend paying stocks and seeks broad diversification through exposure to a significant number of major market sectors and industry groups. For clients in the TPS Strategy, the investment team typically builds portfolios that initially contain 70 to 90 positions.

Equities – NorCap Division

The primary goal of NorCap's equity strategies (whether as part of stock-only portfolio, or as part of a "balanced" portfolio containing a mix of equities and bonds) is to provide performance returns from a diversified portfolio of stocks that exceed appropriate benchmarks, such as the S&P 500 Index. The NorCap Division's equity strategies typically include a mix of small-, mid-, and large-capitalization domestic and international stocks.

The NorCap Division's investment team uses internal and external research to help identify companies where the current market prices do not correctly reflect the team's opinion of the underlying value or future growth potential. The team's decisions to buy or sell securities are based on expected return, as well as the potential impact of the transactions on the applicable clients' overall diversification. For certain client account groups, the team also uses cash (and/or cash equivalents) as a way to help reduce market risk at times when it believes the overall stock market is unattractive on a risk/return basis, or to enhance the client's portfolio yield and/or liquidity.

Fixed Income Securities – General

For the bond portion of our clients' portfolios, we focus on diligent execution and high credit quality. We take into consideration our client's tax situation, the type of issuer and bond, and general market conditions when we construct bond portfolios for our clients. Depending on the client's needs, market conditions, and pricing, we typically purchase the following types of bonds for our clients:

- Taxable, tax-free and alternative minimum tax (AMT) municipal bonds;
- Municipal bonds that are "pre-refunded" or "escrowed-to-maturity;"
- Corporate bonds;
- Structured notes (referred to as "steepeners"); and
- U.S. Treasury and government agency bonds.

Our goal is to capture excess yield without incurring additional risk. We try to accomplish this by patiently bidding on bonds owned by third party bond sellers, and by our willingness to buy odd (smaller) lots of bonds, bonds selling at a premium, bonds subject to AMT, and "sinking fund" bonds. The demand for these kinds of bonds is typically lower, and therefore we attempt to buy them at lower prices (and higher yields) for our clients.

The firm primarily uses a network of third party dealers to help construct fixed income portfolios for clients. However, depending on the client's specific circumstances, the firm also buys bonds directly from the inventories of brokers that hold the clients' assets. Please refer to the "Directed Brokerage" section under "Brokerage Practices" for examples of these brokers.

Our goal is for clients to hold bonds to maturity, and therefore we are less concerned about interim price changes. We do not keep bonds in an inventory for later sale to our clients. We buy bonds for direct allocation to specific client accounts based on the specific client's asset allocation and circumstances.

Depending on our specific client's investment objective, we will typically build a bond ladder of individual bonds maturing in different years in order to provide liquidity, an income stream, and to help guard against interest rate and credit risk.

Fixed Income Securities – NorCap Division

The primary goal of The NorCap Division's fixed income strategy (whether as part of a bond-only portfolio, or a balanced portfolio containing a mix of equities and bonds) is to provide performance returns from a diversified portfolio of bonds that exceed industry-recognized benchmarks, such as the Barclays Intermediate Government/Credit Index. The fixed income strategy typically includes a mix of U.S. Treasury and government agency bonds; investment and below-investment grade corporate bonds; convertible bonds; municipal bonds; mutual funds; and fixed income ETFs.

The NorCap Division's investment team evaluates and selects fixed income securities based on its assumptions about interest rates, the treasury yield curve, company-specific risk, and other variables that may impact the relative performance of the security. Similar to what it does for its equity (and balanced) strategies for certain client account groups, the team uses cash (and/or cash equivalents) when it believes that the fixed income market is unattractive on a risk/return basis or to enhance the client's portfolio yield and/or liquidity.

Other Types of Securities

Options

We use option transactions in conjunction with our day-to-day management of clients' equity investments. We primarily do this by selling covered calls. Our clients own the stock and, in return for a premium, we sell to a third party the right to buy the stock at a certain price by a certain date. We usually do this for tax reasons to extend the holding period so our clients can get more favorable long-term capital gains tax treatment. When option prices are volatile, we have also sold covered calls to generate income for clients and to manage their sector exposures. Typically, we will sell "at the money" calls (where the call strike price is near the underlying stock's market price) in order to maximize the premium that the client receives.

We also use other option strategies as a way for clients to earn income while waiting to invest their assets in our primary equity strategy. We accomplish this by, for example, buying or selling options on index-tracking ETFs, or by selling puts on our equity recommendations. The goal of these strategies is to supplement the firm's primary equity investment strategy as a way to enhance client returns.

Mutual Funds

- Open-End Mutual Funds

Occasionally, we recommend investments in no-load, open-end mutual funds instead of individual equity or fixed income securities. We may deem this appropriate for diversification in smaller accounts below our recommended investment minimums (described below in the section entitled "Types of Clients") or to gain access to sectors outside of our core investment strategy, and usually at a client's request.

- Green Owl Intrinsic Value Fund

We manage an affiliated mutual fund, the Green Owl Intrinsic Value Fund (ticker: GOWLX) (Green Owl). Green Owl is an advisory client of KIG, and KIG generally intends to manage Green Owl according to the same strategy as that of its separate (equity) account clients. Depending on the prospective client or client's investment objectives and risk tolerance, we generally recommend Green Owl for those advisory clients who have assets below our investment minimums (refer to the section below entitled "Types of Clients"), or otherwise for clients and prospective clients who we believe would be better served by the diversification that we intend for Green Owl to provide. Please refer to the Green Owl prospectus for more information, or the Green Owl website (www.greenowlfund.com).

- Al Frank Fund

We also manage an affiliated mutual fund, the Al Frank Fund (ticker: VALUX/VALAX). The Al Frank Fund is an advisory client of KIG, and KIG generally intends to manage the Al Frank Fund according to the same strategy as that of its separate (equity) account clients within the AFAM Division. Depending on the prospective client or client's investment objectives and risk tolerance, we generally recommend the Al Frank Fund for those advisory clients who have assets below applicable investment minimums (refer to the section below entitled "Types of Clients"), or otherwise for clients and prospective clients who we believe would be better served by the diversification that we intend for the Al Frank Fund to provide. Please refer to the Al Frank Fund prospectus for more information, or the website (www.alfrankfunds.com).

- Absolute Capital Opportunities Fund

In addition to the mutual funds noted above, we are the sole sub-adviser of an affiliated mutual fund, the Absolute Capital Opportunities Fund (ticker: CAPOX). The primary adviser of CAPOX has hired us to manage the fund consistent with the restrictions it has imposed on us, and according to the same long/short equity strategy as our affiliated hedge funds (which we further describe below). Depending on the prospective client or client's investment objectives and risk tolerance, we also recommend CAPOX to our clients as a way to diversify a traditional portfolio of equity and bond investments. Our goal is for CAPOX investors to achieve returns that do not always directly relate to those in the equity markets, and to preserve capital significantly better than "unhedged" equity investments. We believe CAPOX is suitable for advisory clients who have assets below our "separate account" or hedge fund investment minimums, and for those who desire daily liquidity, as

it is a publicly-registered mutual fund. Please refer to the CAPOX prospectus for more information, or the CAPOX website (www.absoluteadvisers.com/absolute-capital-opportunities-fund/fund-overview).

ETFs – General

Similar to our approach with open-end mutual funds, we occasionally recommend investments in ETFs instead of individual equity or fixed income securities. We may deem this appropriate for diversification in smaller accounts below our recommended investment minimums, to gain access to sectors outside of our core investment strategy, or at a client's request.

ETFs – AFAM Division

Aside from our general use of ETFs in the context described above, the AFAM Division recommends strategies that invest in portfolios of ETFs, with the goal of outperforming applicable benchmarks on a risk-adjusted basis through diversification; active management; style integrity; minimized security selection risk; trading; and cost efficiency. The AFAM Division offers the following ETF strategy:

Dynamic Portfolio Series ("DPS")

DPS is an ETF strategy that combines the AFAM Division's long-term oriented domestic equity strategy with a "country rotation" strategy, and then further combines it with fixed income securities. For the country rotation segment of the strategy, the investment team considers investment in over 40 international equity markets. DPS seeks to provide favorable returns through: income-generating stability through fixed-income, international adaptability, and patient selectivity in domestic equities. DPS is offered to clients in three ways: Conservative (50% fixed income, 25% tactical, 25% strategic); Moderate (35% fixed income, 32.5% tactical, 32.5% strategic); and Growth (40% tactical, 40% strategic, 20% fixed income).

ETFs – NorCap Division

The NorCap Division's strategies occasionally use ETFs with the goal of increasing diversification and enhancing returns. The NorCap Division's investment team believes certain ETFs can provide client portfolios with exposure to investment opportunities that may fall outside the team's traditional research universe, such as market segments (market capitalization or style), international, alternative investment, or sectors where the team believes that individual stock selection does not adequately reflect the desired exposure for the client.

ETFs – Hedge Funds and Related Accounts

In managing our affiliated hedge funds and certain separately managed accounts (described below under "Hedge Funds"), we take short positions in ETFs that are sometimes held as long positions in individual advisory client accounts. We acknowledge the potential conflict of interest in making such recommendations. However, we believe that it is not inconsistent or disadvantageous to a particular client to use ETFs in the hedge funds as part of an overall hedging strategy (and not necessarily as an assertion of our view on the sector covered by the ETF), and also as a way to gain

exposure in a diversified manner to that same sector for a particular advisory client. We have considered that it is unlikely that our trading activities would impact the price of ETFs, and that their use for individual advisory clients is not a significant part of the firm's overall assets under management.

Collateralized Mortgage Obligations

If suitable for a particular client, we also recommend investments in collateralized mortgage obligations (CMOs), also known as mortgage-backed securities (MBS). This recommendation depends on the client's investment objectives and risk tolerance, and is part of the client's overall asset allocation.

Hedge Funds and Other Private Funds

KIG manages hedge funds in which clients and others are solicited to invest. All such funds are limited to accredited investors. The hedge funds generally invest in equities and options. KIG also provides services to, or certain of its employees are otherwise involved in several private real estate funds in which clients and others have been solicited to invest. These funds are limited to accredited investors, and their objectives are to invest in properties across the real estate sector, including industrial, commercial, and residential. In addition, certain of KIG's executive officers own a separate company that sponsors and manages private equity funds. All such funds are limited to accredited investors. The private equity funds' investment objectives are to acquire controlling interests in existing companies and to make other investments.

Wrap and Unified Managed Account Programs

We also participate in several wrap, Unified Managed Account (UMA), and other "turnkey" asset management programs (TAMPs), although we do not "sponsor" any such programs. In these cases, the sponsors of such programs typically have contracts directly with their clients to perform various types of investment management services. For UMA programs, the sponsors hire us to deliver "model" portfolios to them. We generally apply the same equity investment philosophy and strategy for clients of wrap and UMA programs as we do for our own separate account clients, depending upon the strategy for which they've hired us, and depending upon any restrictions, limitations, or specific directions that the sponsors or their clients give to us.

The sponsors of the wrap and UMA programs generally charge their clients an aggregated or "all-inclusive" fee, and we receive a portion of those fees. Given that our services are usually limited to providing models to wrap sponsors, we typically exclude these assets when we calculate our firm's assets under management. We generally refer to these model, UMA, and TAMP relationships as "assets under advisement."

The Prudent Speculator – AFAM Division

The firm's AFAM Division publishes "The Prudent Speculator" ("TPS"), an investment newsletter which charges an annual subscription fee. TPS provides frequent commentary about the financial markets, macro-economic trends, and individual equities to subscribers. TPS also issues commentaries centered around equity recommendations, provides "sales alerts" when the TPS "newsletter portfolios" sell certain equities, and provides subscribers access to holdings reports. The

holdings reports allow subscribers to "mirror" the activities and holdings of their own personal securities accounts to TPS recommendations if they wish. Separate account clients in the firm's AFAM Division receive a complimentary subscription to TPS.

Financial Planning Services

KIG also provides financial planning services (Planning Services) to certain investment management clients. The Planning Services include the following: analyses regarding retirement cash flows; goal identification and funding; Monte Carlo simulations; education funding; estate planning; tax planning; and charitable giving. KIG determines client eligibility for Planning Services on a case-by-case basis. KIG will consider the size of the client relationship and whether the client uses other financial advisers in determining whether to offer Planning Services. KIG generally does not charge fees for Planning Services in addition to the fees it charges for investment management services.

The scope of Planning Services will be agreed upon by KIG and the client. KIG anticipates that it will provide the Planning Services and investment management services to its clients in a coordinated manner. KIG acknowledges that if it provides Planning Services and investment management services to a particular client, there is a potential conflict of interest in making and implementing planning and investment recommendations to the client. The conflict is that the planner is a KIG employee and will have an incentive to choose to use or recommend KIG as investment manager. We believe that the conflict is addressed by the aligned long time horizon of the client, the KIG planner, and the KIG investment professionals, and by the fact that the KIG employees are not compensated in a manner that will incentivize inconsistent or short-term recommendations.

KIG uses a combination of its Certified Financial Planner™ (CFP®) Professionals, non-CFP Professionals, and certified public accountants (CPAs) in the process of gathering and analyzing client information, in providing recommendations to the client, and in providing Planning Services.

FEES AND COMPENSATION

We charge our individual clients an annual fee (paid quarterly) based on the fair market value of assets under management as of the last day of the previous calendar quarter. We can change our fees if we give prior written notice to clients. If a client relationship ends, we will use the date of termination to value the account to calculate the final fees the client owes us. We prorate fees using the termination date and we reimburse clients for any portion of collected fees we do not earn.

Standard Fee Schedule

Our "standard" fee schedule for separate accounts is below:

- 1 ¼ % per annum of all equity assets up to $5,000,000;
- 1% per annum on all equity assets $5,000,000 - $10,000,000;
- ¾ of 1% per annum on all equity assets $10,000,000 - $25,000,000;
- ½ of 1% per annum on all equity assets over $25,000,000;

Equity assets include closed-end funds and other risk-based alternative asset classes.

- ¼ of 1% per annum on all assets in open-end mutual funds and ETFs; and

- ½ of 1% per annum on all fixed income and cash assets up to $5,000,000;
- ⅜ of 1% per annum on all fixed income and cash assets over $5,000,000.

Fixed income assets include investment-grade mortgage-backed securities.

We are willing to negotiate fees, depending on the aggregate size or nature of a relationship, including for large individual or institutional clients, wrap arrangements, model, or other types of "platform" relationships.

In addition, fee schedules for our clients in the AFAM and NorCap divisions vary from the standard schedule shown above as many are "legacy" in nature, as they were in place before their respective acquisition by KIG. In these cases, advisory fee calculations are typically based on either "tiered," "level," or "flat" fee schedules. These accounts can contain one security type, or a mix of stocks, bonds, ETFs, or mutual funds.

Usually, we deduct our management fees from client accounts. We also invoice certain clients for our fees. Clients may choose which method of payment they prefer.

In billing our client accounts for management fees, we typically "group" them by family (or "household") as a way for clients to reach breakpoints, such as those shown above in our standard fee schedule. In addition, we, at our discretion, group multiple households or multiple client relationships together for purposes of reaching fee breakpoints. Under these circumstances, we acknowledge that individual clients or client households may not have complete control over whether or not they reach fee breakpoints. In other words, one client's decision to increase or decrease their assets under KIG management may affect whether or not another (and sometimes unrelated) client will reach a breakpoint. Clients should understand that the grouping of accounts within households, or across multiple households or relationships for purposes of reaching fee breakpoints, is solely at our discretion.

We recognize there is a conflict of interest inherent in our pricing structure, as our fees depend on the asset class in which the account is invested, whether equities or fixed income. We have an incentive to steer client assets into equities over fixed income securities. While we believe that the differentiated pricing benefits our clients (charging less for certain asset classes as compared to others), we address this conflict as follows:

We do not have discretion over the client's asset allocation decision to increase or decrease their assets under KIG management, which may affect whether or not another (and sometimes unrelated) client will reach a breakpoint. The client is aware of the pricing difference between equities and fixed income at the time they make this decision;

- We fully disclose the prices we charge our clients in this Brochure (which is also available on our website), and in the client's investment management agreement, and we discuss our fee structure with our clients at the inception of our relationship;

- We periodically monitor account groups for substantial "drift" from agreed-upon asset allocation, subject to certain firm-imposed limits or other terms agreed to by the client.

Our recommendations with respect to asset allocation are based on what we believe are our responsibilities as investment professionals, our fiduciary obligations, and when considering factors such as: client age, liquidity needs, tax-specific situations, and investment time horizon, among others. We also consider these factors when making recommendations specifically related to rollovers of retirement account and benefit plan assets.

TPS Fees

The standard subscription rates for TPS are: $495 for two years, $295 for one year, or $28 per month.

Other Fees and Expenses

We invest certain client assets in open and closed-end mutual funds and ETFs. Mutual funds and ETFs pay advisory fees to their own managers, and they pay brokerage commissions when their managers execute transactions. These fees and commissions are on top of the advisory fees we charge the client, and the commissions that the client pays to his/her broker when we buy and sell such mutual funds and ETFs in the client's account. This applies to clients who have chosen our affiliated broker-dealer, Kovitz Securities, LLC (KS), or another broker, to execute transactions.

With respect to Green Owl, CAPOX, the Al Frank Fund, and our affiliated hedge funds, clients that hold such investments in their KIG-managed accounts do not pay management fees in addition to the management fee that KIG charges to such products themselves. In other words, there is no "layering of fees" in such circumstances. In addition, clients do not pay commissions for purchases and sales of Green Owl or CAPOX that are executed by KS.

We recognize the conflicts of interest in recommending Green Owl, CAPOX, or the Al Frank Fund instead of other investments to clients. These conflicts include:

- Our incentive to "steer" client assets into the funds to make them more attractive to the public with respect to asset-raising efforts;

- Growth in the funds allows for spreading of costs over a larger asset base. Green Owl, CAPOX, and the Al Frank Fund currently have an "expense cap" in place. For Green Owl and the Al Frank Fund, we as the primary adviser have agreed to reimburse the funds for costs that exceed the cap. Similarly, for CAPOX, the primary adviser has agreed to reimburse the fund for costs that exceed its expense cap. Asset growth in each of the funds over time will likely result in lower amounts of reimbursements. In addition, we have an incentive to invest clients in CAPOX, as the fees which we receive from the primary adviser will increase, depending on the size of the fund's asset base. Under these scenarios, we will receive a benefit;

- Our employees occasionally use Green Owl as a "placeholder" or substitute for individual equities in client accounts instead of holding money market funds or cash. As the firm

implements its equity management strategy, we sell shares of the fund to make cash available for individual equity purchases. There is an incentive, therefore, for our employees to hold Green Owl in client accounts, as it pays a higher management fee to KIG than the standard fee that clients pay for cash and fixed income assets (see the Standard Fee Schedule above).

- In selecting Green Owl, CAPOX, or the Al Frank Fund for a client's accounts we are, by definition, not selecting another mutual fund which is unaffiliated with KIG, and which may have a lower management fee or may achieve (or may have already achieved) greater recent performance returns.

To address these conflicts, and as we have noted above, depending on the prospective client or client's investment objectives and risk tolerance, we generally recommend Green Owl, CAPOX, or the Al Frank Fund for those advisory clients who have assets below our investment minimums. We also limit our recommendations to those clients and prospective clients who we believe would be better served by the diversification that we intend for these funds to provide. In addition, while we have discretion to invest our clients in Green Owl, CAPOX, or the Al Frank Fund, we separately notify such clients of these investment decisions (or, in the case of tax-deferred accounts, obtain their consent when the account is opened). With respect to our existing advisory clients, Green Owl and the Al Frank Fund are primarily intended for those accounts below our investment minimums where, by choosing KIG as investment manager, the client has expressed his/her desire to invest in one of our firm's equity strategies. Therefore, we believe it is in the client's best interest for us to invest them in a mutual fund that is as close to our strategies as possible.

KIG directly or indirectly receives fees in consideration for its management of the hedge funds described above in amounts described in the prospectuses and other offering documents for those investments. We generally charge an annual management fee, and performance-based fees, as described below.

Investment management fees that we charge for our hedge funds and mutual funds are in addition to brokerage commissions, custodial fees, transaction fees, and other related costs and expenses. The hedge funds and mutual funds are also subject to administrative, tax preparation, consulting, legal, audit, and any other types of professional expenses. In addition, the hedge funds reimburse KIG for certain expenses, or portions of expenses, that are paid by KIG. Please refer to the applicable offering documents or offering materials for more information.

Our clients may also pay individual retirement account (IRA) (or benefit plan) trustee fees and custodial fees if the client chooses or uses these services. KIG's preferred IRA trustee charges each applicable account a nominal annual fee. The client will pay brokerage costs, and the amount will depend on the brokerage firm executing the client transactions. Brokerage is discussed in greater detail in the sections entitled "Use of KS for Client Trades; Conflicts of Interest" and "Brokerage Practices." If a client selects the IRA trustee, the custodian, or the broker, we are not able to control the amount of these fees. KIG is generally unable to negotiate these fees on behalf of the client. However, in some cases, we have the ability to waive, or otherwise absorb the periodic fees that IRA/benefit plan clients pay. We do this occasionally, at our sole discretion.

IRAs and Benefit Plans – Other Fees and Expenses; Conflicts of Interest

As referenced above, and as we further describe in the section below entitled "Types of Clients," we provide investment management services to several types of clients, including IRAs and ERISA plan clients. Because of this, we are considered a "fiduciary" under ERISA regulations, and we are required to address certain conflicts of interest that arise when we manage these types of client accounts:

As we describe in the section above entitled "Investment Management," we recommend investment in various types of securities across several investment strategies. Also, as we note in the section entitled "Fees and Compensation," we charge different fees for those strategies. Under certain ERISA regulations, this is considered a conflict of interest in that we have an incentive to invest client assets in securities which result in us receiving higher fees (e.g., equities instead of bonds). We address this conflict in that, while we recommend a specific asset allocation, our clients ultimately decide the asset allocation that is appropriate for them, considering their goals, objectives, and risk tolerance.

In addition, as we have noted above, we recommend affiliated mutual funds for client investment (Green Owl, CAPOX, or the Al Frank Fund), depending on the client's goals, objectives, and risk tolerance. Please refer to the discussion above regarding this conflict of interest, and the ways in which we have addressed it.

Use of KS for Client Trades; Conflicts of Interest

Clients pay brokerage commissions for execution of transactions in their accounts.

Subject to our obligation to obtain best execution and the client's ability to request that KIG direct brokerage to other broker-dealers, we primarily use KS as broker for client accounts and transactions. KIG and KS are affiliated entities under common control. Clients have the ability at any time to terminate our use of KS to execute transactions for their account, and clients may use brokers not affiliated with KIG (such as the brokers mentioned below in the section titled "Brokerage Practices"). KIG also uses KS when trading for Green Owl. Generally, KS receives a brokerage commission to execute each client transaction for which it acts as broker. However, KS does not receive a brokerage commission to buy or sell Green Owl or CAPOX for clients. KS clears its transactions through Pershing, LLC (Pershing), which also is the custodian for KIG client accounts that are set up to use KS as the broker-dealer. KIG generally recommends that clients open a brokerage account with KS/Pershing in connection with the advisory relationship, though this is not required. Again, our brokerage practices, directed brokerage, and related conflicts of interest are discussed in greater detail in the section below entitled "Brokerage Practices."

For clients who have chosen brokers or custodians other than KS/Pershing, in certain cases we still recommend using KS as broker for fixed income trades. We will use KS if we can, in our judgment, provide value to the client by applying our fixed income philosophy and trading strategy in such cases, and if authorized by the client. For these trades, we ensure that the client's total commissions are not more than they would be if their assets were held at KS/Pershing.

Most employees of KIG are also registered representatives of KS. KIG and KS have the same owner and executive officers, and they receive a benefit from the use of KS in executing client

trades. These professionals can receive a portion of the investment management fee that clients pay to KIG. However, KIG, its employees, executive officers, and its owner are incentivized to maximize long-term growth of client assets, not to generate brokerage commissions. Our investment management philosophy is concentrated on long-term asset growth, not on short-term trading. Although we do not offset brokerage commissions against management fees, we believe that it is in our, our clients', and our employees' best interest to minimize transaction costs and increase the value of the clients' accounts. This is reflected in the fact that the revenues of KS are a small percentage of the revenues that KIG receives for providing investment management services. Additionally, our investment management strategy is largely implemented on a centralized basis, minimizing control by individual financial advisors, and thus further mitigates the conflict of interest.

In addition to the fees that we charge for our investment advisory services, KS receives a commission for each purchase or sale in the client's account. This is a conflict of interest. As noted above, KIG and KS are affiliated and under common control, and their executive officers and owner receive an additional financial benefit from the use of KS in executing client trades. We have described this conflict and mitigating circumstances above.

In addition to KS trade commissions, such clients also pay fees charged by our clearing firm, such as postage and handling fees. Such clients also pay foreign exchange or other fees related to transactions in securities executed on non-US exchanges.

Also, as part of the clearing arrangement between KS and Pershing, Pershing provides a "volume rebate" to KS. Once KS exceeds a certain amount of equity or option trades in a given month, Pershing provides a rebate, calculated on a "per ticket" basis, back to KS. The *rate per ticket* that Pershing rebates *increases* as the amount of trades increases over certain thresholds. This volume rebate is also a conflict of interest, and could cause us to trade more frequently in the client's account than we would if this conflict did not exist. We have described mitigating circumstances relating to this conflict above.

There are other conflicts of interest if we use our affiliated broker-dealer to execute our clients' trades. We may be tempted to fail to remedy or fail to disclose to our client trade execution errors such as buying instead of selling, buying or selling the wrong amount of securities, or buying securities when there is insufficient cash in the client's account. We may choose to charge certain clients more favorable commission rates or give certain clients more favorable or more numerous discounts on commissions. We could also give certain clients more favorable allocation of trades when there is a limited amount of securities available for purchase or sale for all our clients, in each case to favor one client over another client for our own benefit. We have described mitigating circumstances relating to this conflict above.

We believe that we have adequate controls in place to mitigate the risk posed by these conflicts. For more details of our brokerage practices, including our use of KS for client trades, see the section below entitled "Brokerage Practices."

PERFORMANCE-BASED FEES/SIDE-BY-SIDE MANAGEMENT

As we described above, we charge quarterly investment management fees for providing investment management services to our advisory clients.

We charge performance-based fees to our affiliated hedge funds (which are open to new investors) and certain other separate accounts that we manage alongside our hedge funds. These fees are generally a percentage of net profits, subject to a high water mark. We also receive performance-based servicing fees in connection with the real estate funds discussed above. In addition, certain of our executive officers own a separate company that sponsors and manages private equity funds. They receive compensation based on their ownership of the private equity funds' manager, and based on the ongoing management and incentive fees that the funds pay to the manager. KIG's employees also receive a portion of the management fees and incentive fees when they refer clients to the real estate funds and private equity funds.

This is a conflict of interest in that we have an incentive to recommend that clients invest in the potentially riskier and less liquid and higher fee-paying hedge funds and other private funds over separate account management. We have an incentive to devote more time and resources to the hedge funds and other private funds over our advisory clients who only pay investment management fees and not performance-based fees. In addition, performance-based fees may create an incentive for us to make investments that are riskier or more speculative than we would if we did not charge performance-based fees. Also, this creates an incentive to over-value investments that do not have readily-available market values.

We have designed our policies regarding trade allocation, valuation, and our Code of Ethics to help address these risks:

KIG's Affiliated Hedge Funds and Other Private Funds

- KIG's affiliated hedge funds and other private funds are not suitable for all clients, they are not permitted for certain clients, and we do not market them to the general public. As described above, we first consult with our clients to determine the nature of their financial condition, their financial objectives, income and liquidity needs, desire and need for principal protection, risk tolerance, and tax sensitivities. We also assess the client's investment sophistication, net worth, and eligibility in determining whether it is suitable to recommend investments that pay performance-based fees;

- The affiliated hedge funds and other private funds have a different investment objective, require a higher risk tolerance, have a different investment strategy, and are usually less liquid than investments held in our non-private fund advisory clients. The hedge funds and other private funds may invest in securities or other assets in which non-private fund investors do not invest;

- When the hedge funds invest in the same securities as non-hedge fund investors, we generally execute those transactions around the same time. However, because the hedge funds generally use different brokers (where applicable) than our separate account clients, we do not necessarily apply the same average price across all participating client accounts and

hedge funds. To address this, we have implemented trade rotation policies and procedures. In connection with "firm-wide" trades, we rotate executions across several client account "groups" (for example, one group is comprised of our hedge funds and certain related separate accounts). We have created client groups based on, among other things, the custodian(s) of client accounts, and whether or not we have substantial control over the trade execution process. Our goal is to achieve fairness of execution over time across our entire client base;

- KIG does not exercise discretion with respect to investing client assets in its affiliated hedge funds and other private funds (that is, the client must choose to invest in such funds);

- Many of the investors in the affiliated hedge funds and other private funds are also separate advisory clients of KIG, and these clients' non-private fund assets under management usually significantly exceed their investments in the private funds. This creates a disincentive for KIG to favor the private funds over separately managed accounts; and

- KIG will not, directly or indirectly, charge fees in a manner which results in charging more than once on certain assets (sometimes referred to as "double dipping").

Green Owl and the Al Frank Fund

With respect to Green Owl, and as noted above, KIG generally intends to manage Green Owl according to the same primary equity strategy as that of its separate (equity) account clients (i.e., side-by-side). In addition, the AFAM Division's investment team manages the Al Frank Fund according to the same strategy as that of the separate account clients within the AFAM Division. Subject to day-to-day cash flows in Green Owl or the Al Frank Fund (which result from underlying shareholder activity over which KIG does not have complete control), KIG generally intends to transact in the same securities as in its clients' separate accounts, and apply an average price to such transactions. If we cannot complete the entire desired transaction for all clients, we use a lottery system to determine on a random basis which clients will receive an allocation of the intended transaction. However, specifically with respect to Green Owl, we allocate purchases or sales on a pro rata basis when using our lottery "system." With respect to the Al Frank Fund, the AFAM Division generally groups transactions in the fund with separate client accounts within the AFAM Division that are managed according to a similar investment strategy.

TYPES OF CLIENTS

We provide investment management services to:

- Individuals (primarily those with a high net worth) and their related accounts such as IRAs, trusts, partnerships, and custodial accounts;
- Retirement/benefit plans such as 401(k) and profit-sharing plans;
- Accounts of small businesses;
- Institutional clients, such as Taft-Hartley plans and other entities, such as corporations, limited partnerships, and limited liability companies;

- Charitable foundations and other not-for-profit organizations; and
- Affiliated hedge funds (described above).

As noted above, we also have several "wrap," "model," and TAMP arrangements where we solely provide a model portfolio to the primary advisers' clients.

In addition, we act as a sub-adviser to CAPOX, which we manage according to an investment strategy that is similar to the strategy of our affiliated hedge funds, and which we recommend for our separate account clients (refer to our discussion of CAPOX in various places throughout this Brochure. Please also refer to the CAPOX prospectus for more information, available at www.absoluteadvisers.com/absolute-capital-opportunities-fund/fund-overview).

Lastly, we act as investment adviser to Green Owl, and to the Al Frank Fund (refer to our discussions of Green Owl and the Al Frank Fund in various places throughout this Brochure. Please refer to the Green Owl prospectus for more information, available at www.greenowlfund.com, and the Al Frank Fund prospectus for more information, available at www.alfrankfunds.com).

Investment Minimums

We inform clients that we generally require a $1,000,000 minimum initial relationship for separate accounts, although with respect to the firm's AFAM Division and NorCap Division, the general investment minimum is $500,000. We reserve the right to waive these minimums at our sole discretion.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES, RISK OF LOSS

Investing in securities involves the risk of loss, and the loss may be permanent, and clients should be prepared to bear that risk. We try to manage that risk for our clients by considering the client's financial condition, financial objectives, income and liquidity needs, desire and need for principal protection, risk tolerance and tax sensitivities, and by managing and periodically rebalancing the client's assets to a target asset allocation. We also manage this risk of loss by diligent security selection. We discuss this issue in more detail below.

The following discussion is limited to our investment strategies, methods of analysis, and risks relating to individual equities, ETFs, and fixed income securities (including CMOs). These are the strategies and securities that are significant in our investment management for our advisory clients.

Equities

Investment Philosophy and Strategy

Our equity selection philosophy is based on adopting a business owner mentality and adhering to a "Margin of Safety" principle. Risk of loss from an investment in equities can arise from faulty assumptions about a company's intrinsic value, including assumptions as to normalized earnings, growth of earnings, and the company's competitive advantage. We try to pay a price significantly

below our estimate of intrinsic or private business valuation. This approach attempts to mitigate risk of permanent loss of capital should our analysis or assumptions prove inaccurate. We apply this methodology and analysis diligently.

Discipline

We look to invest in industry leading, prudently capitalized (focus on use of leverage) companies that have a competitive advantage. We are very focused on the price we pay. We will pay a price we believe is significantly below intrinsic value and we are willing to wait for the market to realize that value. Intrinsic value is based on the discounted value of future cash flows. We do not decide to buy, sell, or hold stocks based on what others think the market or the economy is going to do, but based instead on how the intrinsic value of the business compares to the market price of the stock. We select (or hold) clients' equities in much the same way we would evaluate a business if we wanted to buy or keep the whole company.

Patience

We believe that having a long time horizon is an advantage to investing successfully (out-performing a benchmark over multi-year periods). Our business structure allows us a long time horizon as the interests of the client, the planner, and the investment manager are aligned. Our decisions are based on long-term business values rather than short-term events or analysts' reports. Our client base shares our long time horizon, and we believe this is an advantage with respect to investing.

Perspective

While we strive to maximize return, we stress the importance of safety of principal with a focus on minimizing permanent loss of capital. We therefore purchase stocks at a significant discount to our estimate of underlying intrinsic value. Our goal is to generate substantial return when our analysis and assumptions prove correct, while minimizing downside risk if a particular investment thesis is flawed or if for some other reason our assumptions prove incorrect. Implementing these principles often results in investment decisions that run counter to general market sentiment. We believe this approach is consistent with our focus on maximizing long-term net worth whether or not we generate short-term performance. Market price movements are important to us because they alternately create low price levels at which we can buy and high price levels at which we can sell.

Equity Research – Method of Analysis

Our equity research and method of analysis apply a thorough process to screen, track, evaluate, and manage our clients' equity portfolios. Our method of analysis is primarily fundamental and we rely heavily on our review of publicly available filings and other proprietary research. We do not concentrate on meetings with management or research reports prepared by third party analysts. We summarize below the important facets of our approach:

Qualitative Assessment

- Market leaders with strong competitive positions;
- Stable products and economies of scale and/or scope;

- Low capital requirements; and
- Experienced and competent management with ownership stakes.

Quantitative Assessment

- High returns on capital;
- High correlation between earnings and cash flow;
- Low financial risk; and
- Valuations based on discounted cash flow models.

Risks

We remind our clients and prospective clients that there are risks to investing in equities. The following are examples of such risks:

Market Risk: Equity securities fluctuate in value, and such fluctuations can be significant. The price of an equity security may drop in response to the activities of the individual company, but can also be caused by other factors that are unrelated to company's condition or circumstances. Equity prices can react to tangible and intangible events, such as political, economic, and social conditions. In addition, stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The value of the equities that a client holds may decline over short or extended periods of time.

Business Risk: Securities issued by certain types of companies or companies within certain industries are subject to greater risks of loss due to the nature of their business. For example, certain companies may have to devote a large amount of resources and investment over many years before they can deliver a product or service to customers at a profit. They may carry a higher perceived risk of loss than companies which receive a steady, predictable stream of income from customers regardless of the economic environment.

Concentration Risk: Clients whose investment portfolios are not "diversified" – that is, portfolios heavily weighted in a small number of securities, industries, sectors, or types of investments (equities versus fixed income) may experience more volatility and fluctuation in market values than those who have more diversified portfolios. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

Liquidity Risk: "Liquidity" is the ability to readily convert an investment into cash. If an asset is not liquid, there may be a greater risk that, if circumstances require an investor to sell the asset quickly, it will be sold at a price substantially below what is perceived as a "fair" value. Generally, an asset is more liquid if it represents a standardized product or security and there are many traders interested in making a market in that product or security. For example, Treasury Bills are highly liquid, while real estate properties are generally considered illiquid.

Fixed Income

Our investment approach to fixed income investing stresses preservation of wealth. We believe that a quality bond portfolio, constructed and rebalanced to a thoughtful asset allocation, helps to mitigate risk by adding a low correlated asset class to equities. We believe our competitive advantage in managing fixed income lies in our diligent execution process which enables us to achieve excess yield without accepting excess risk.

Investment Philosophy and Strategy; Method of Analysis

We try to carry out our investment approach by patiently bidding on bonds (municipal and corporate) owned by third party bond sellers and by our willingness to buy odd (smaller) lots of bonds, bonds selling at a premium, AMT bonds, and sinking fund bonds. The demand for these kinds of bonds is typically low, and we are generally able to buy them at lower prices (and higher yields) for our clients. While this is the firm's primary (and preferred) bond-buying strategy, the firm also buys bonds directly from the inventories of brokers that hold the clients' assets, depending on the client's specific circumstances. We anticipate holding the bonds to maturity and therefore are less concerned with interim price fluctuations. We do not take ownership or maintain an inventory of bonds for later sale to our clients. We buy bonds for direct allocation to specific client accounts based on the specific client's asset allocation and circumstances.

Depending on our specific client's investment objective, we will build a bond ladder of individual bonds maturing in different years in order to provide liquidity, an income stream, and to hopefully reinvest at higher rates.

Our strategy, method of analysis, and objective in purchasing bonds are:

- To preserve client principal;
- To not attempt to forecast interest rates. Instead, we attempt to take advantage of current market conditions to identify excess yield available in the bond market;
- To not compromise credit quality. We consider underlying ratings and financial health of the bond issuer and any insurer. We focus on the nature of the bond issue, and we prefer general obligation and essential service-backed bonds;
- To obtain above market returns through a disciplined purchasing strategy, and not by assuming added credit risk;
- To adhere to the client's specific needs and circumstances such as state preferences, income needs, and tax sensitivities;
- To be flexible as to the timing of principal and interest payments so long as our clients receive satisfactory additional yield due to this nuance;
- To be willing to accept modest liquidity risk when such risk can potentially lead to greater returns;
- To match the client's cash flow needs with our view of interest rate and liquidity risk to build a suitable portfolio;
- To purchase and sell through an open bidding process to ensure fresh, accurate, and above market yields. We do not hold bonds in inventory. We do not buy bonds from

clients for our company's account, nor do we sell bonds to clients from our own company's account; and
- To purchase bonds with specific clients in mind.

Risks

As with equities, there are risks to investing in fixed income securities, such as Market Risk, Business Risk, and Concentration Risk (please see the discussion of those risks above). In addition, there are risks that are specific to fixed income securities. The following are some examples:

Liquidity Risk: As we have described above, liquidity is the ability to readily convert an investment into cash. Generally, an asset is more liquid if it represents a standardized product or security and there are many parties interested in making a market in that product or security. For example, Treasury Bills are highly liquid, while real estate properties are generally considered illiquid.

If an asset is not liquid, there may be a greater risk that, if circumstances require an investor to sell the asset quickly, it will be sold at a price substantially below what is perceived as a "fair" value. Given our firm's investment philosophy and trading strategy, which we have described above, this risk applies to our clients who hold fixed income securities. As we have also described above, we tend to purchase fixed income securities in smaller lots for our clients, and intend for our clients to hold them until maturity. If clients direct us, however, to sell certain fixed income securities rather than holding them to maturity, we may be unable to obtain a favorable or "fair" sale price.

Interest Rate Risk: Fluctuations in interest rates may cause prices of fixed income securities to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline. Specifically with respect to structured notes (steepeners), coupon rates can fall to zero, as the rates on such securities are adjustable, and will change as a result of changes in interest rates.

Credit (Default) Risk: The owner of a fixed income security may lose money if the party that issues the security is unable or unwilling to make timely principal and/or interest payments or to otherwise honor its obligations. Further, when an issuer's financial condition suffers, or a credit rating agency lowers the issuer's credit rating, the price of the issuer's bonds may decline and/or experience greater volatility. These changes can also affect the liquidity of the issuer's fixed income securities and make them more difficult to sell.

Prepayment Risk: When the issuer of a fixed income security has the right to prepay principal, if it exercises that right earlier or at a higher rate than expected, a client may incur losses. This means that the client may be unable to recoup his/her initial investment and may have to reinvest in lower yielding securities. This can have a negative effect on the client's income stream, total return and/or the price of the security. Prepayment risk tends to be highest in periods of declining interest rates.

Reinvestment Risk and Inflation Risk: Reinvestment Risk is the risk that future proceeds from investments may have to be reinvested at potentially lower rates of return (interest

rates). With respect to inflation, when any type of price inflation is present, a dollar today will not buy as much as a dollar next year, because a person's "purchasing power" is eroding at the rate of inflation.

Risks – ETFs

Market Risk: Similar to equity securities, ETFs fluctuate in value, and such fluctuations can be significant. The price of an ETF can drop in response to the activities of the individual companies held by the ETF, but can also be caused by other factors that are unrelated to a specific holding's condition or circumstances. ETF prices can react to tangible and intangible events, such as political, economic, and social conditions. In addition, stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The value of the ETFs that a client holds may decline over short or extended periods of time.

Also, ETFs that seek to provide investment results that are the inverse (opposite) of the performance of an underlying index, are subject to the risk that the performance of such ETF will fall as the performance of that ETF's benchmark rises. In addition, some ETFs utilize leverage (i.e., borrowing) in order to acquire their underlying portfolio investments. The use of leverage can exaggerate changes in an ETF's share price and the return on its underlying investments.

Accordingly, the value of a client's investments in ETFs may be more volatile and all other risks, including the risk of loss of an investment, tend to increase. As a result of compounding, inverse and leveraged ETFs often have a single day investment objective. An inverse ETF's performance for periods greater than one day is likely to be either greater than or less than the inverse of the index performance as stated in the ETF's objective. Similarly, a leveraged ETF's performance for periods greater than one day is likely to be either greater than or less than the index performance times the stated multiple in the ETF's objective. This effect becomes more pronounced for these types of ETFs as market volatility increases. Investments by clients in inverse and leveraged ETFs may result in increased volatility of returns. As a result, investments in these types of securities can result in client not achieving their investment objectives.

Concentration Risk: Sector ETFs, such as REITs, are subject to industry concentration risk, which is the chance that stocks comprising the sector ETF will decline due to adverse developments in that particular industry.

Interest Rate Risk: Fixed income (bond) ETFs are subject to interest rate risk which is the risk that debt securities in a portfolio will decline in value because of increases in market interest rates. Securities rated below investment grade, commonly referred to as "junk bonds", involve greater risks than securities in higher rating categories. Junk bonds are regarded as speculative in nature, involve greater risk of default by the issuing company, and may be subject to greater market fluctuations than higher rated fixed income securities.

Credit (default) Risk: Fixed income ETFs are also subject to credit (default) risk. The owner of a fixed income security may lose money if the party that issues the security is unable or unwilling to make timely principal and/or interest payments or to otherwise honor

its obligations. Further, when an issuer's financial condition suffers, or a credit rating agency lowers the issuer's credit rating, the price of the issuer's bonds may decline and/or experience greater volatility. These changes can also affect the liquidity of the issuer's fixed income securities and make them more difficult to sell.

Risks – Mortgage-Backed Securities

As we have noted above in the section entitled "KIG's Investment Advisory Business," part of our fixed income approach includes investing in MBS, specifically CMOs. We apply the same investment philosophy, trading strategy, and method of analysis as we do for other fixed income securities (as we have also described above). As with equities and other types of fixed income securities, there are risks to investing in CMOs, such as Market Risk, Business Risk, and Concentration Risk. Liquidity Risk, Interest Rate Risk, and Credit (default) Risk also apply when investing in CMOs. In addition, there are other risks specific to CMOs:

General: The performance of a client's CMO holdings can be affected by a variety of factors, including its priority in the capital structure of the issuing company, the nature of the mortgages themselves within the CMOs, and the level and timing of principal and interest payments made by underlying mortgage borrowers. Also, a rapid change in the rate of defaults of mortgages within a CMO may have a significant effect on the yield to maturity. Clients risk loss on CMO investments regardless of their ratings by the ratings agencies.

Prepayment Risk: When the issuer of a fixed income security has the right to prepay principal, if it exercises that right earlier or at a higher rate than expected, a client may incur losses. This means that the client may be unable to recoup his/her initial investment and may have to reinvest in lower yielding securities. This can have a negative effect on the client's income stream, total return and/or the price of the securities in the client's portfolio. Prepayment risk tends to be highest in periods of declining interest rates. Although CMOs can be issued with maturities of up to 40 years, unscheduled or early payments of principal and interest on the mortgages may significantly shorten their effective maturity dates. Generally, CMOs are subject to greater prepayment risk than other types of fixed income securities, such as municipal or corporate bonds.

Investment strategies, methods of analysis, and risks in investing in our affiliated hedge funds are described in detail in the offering documents for those investments.

DISCIPLINARY INFORMATION

Not applicable.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

KIG is affiliated with KS and both have the same owner (Focus). KS is a broker-dealer. KIG uses KS to execute most advisory client securities transactions. Generally, KS receives commissions for executing these transactions and therefore the owner and executive officers of KS receive a benefit

from the execution of KIG advisory client trades. This is a conflict of interest. Please see the disclosure above in the section entitled "Fees and Compensation – Use of KS for Client Trades; Conflicts of Interest" as to how KIG addresses this conflict. Also see the section below entitled "Brokerage Practices" for additional disclosure.

Most of the employees of KIG are also registered as representatives (brokers) of KS. As we have noted in the section above entitled "Use of KS for Client Trades; Conflicts of Interest," KIG and KS have the same owner, and the owners and executive officers of KIG receive an additional financial benefit from the use of KS in executing client trades. This could cause us to trade more frequently in the client's account than we would if this conflict of interest did not exist.

KIG is investment adviser to two mutual funds – Green Owl, and the Al Frank Fund. Please refer to our discussion of Green Owl and the Al Frank Fund in various places throughout this Brochure, including how we manage Green Owl and the Al Frank Fund alongside our separate client accounts and affiliated hedge funds. Please also refer to the Green Owl prospectus for more information at www.greenowlfund.com, and the Al Frank Fund prospectus for more information at www.alfrankfunds.com. In addition, KIG acts as sub-adviser to CAPOX, which it recommends for investment in client accounts. Please refer to our discussion of CAPOX in various places throughout this Brochure, and refer to the CAPOX prospectus for more information at www.absoluteadvisers.com/absolute-capital-opportunities-fund/fund-overview.

KIG is the general partner of affiliated hedge funds, which are open to new investors. This is a conflict of interest. The affiliated hedge funds do not have the same investment objectives as KIG's separate client accounts. Please see the disclosure above in the section entitled "Performance-Based Fees/Side-by-Side Management" for a description of this conflict of interest, and additional information with respect to these relationships.

KIG also provides services to, or certain of its employees are otherwise involved in several private real estate funds in which clients and others have been solicited to invest. These funds are limited to accredited investors, and their objectives are to invest in properties across the real estate sector, including industrial, commercial, and residential. Although these funds are not investment advisory clients of KIG, this is a conflict of interest in that KIG's employees are compensated based on referrals of KIG clients to such funds.

In addition, certain of KIG's executive officers own a separate company that sponsors and manages private equity funds. All such funds are limited to accredited investors. The private equity funds' investment objectives are to acquire controlling interests in existing companies and to make other investments. Although these funds are not clients of KIG, this is a conflict of interest in that these KIG officers are compensated based on their respective ownership of the private equity manager, and based on the ongoing management and incentive fees that the funds pay to the manager. This is also a conflict of interest in that certain KIG employees are compensated based on referrals of clients to such private equity funds. Please refer to the section above entitled "Performance-Based Fees/Side-By-Side Management" for additional information about these relationships, a discussion of the conflicts of interest in recommending these investments, and how we believe we have addressed these conflicts.

KIG, its owner, executive officers, and employees spend as much of their time on the activities of a particular client as they deem necessary and appropriate. KIG and its affiliates are not restricted

from forming or being involved with additional private funds, from entering other investment advisory relationships, or from engaging in other business activities. KIG's involvement in these other activities, such as the real estate and private equity funds referenced above, is a conflict of interest. The time and efforts of KIG's officers and employees are allocated among the firm's individual client accounts and hedge funds, and to separate ventures such as the real estate funds and private equity funds.

As we have noted above, KIG is part of the Focus partnership. KIG is a wholly-owned subsidiary of Focus Operating, which is a wholly-owned subsidiary of Focus. Focus also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial service firms (the Focus Partners). The Focus Partners provide wealth management, benefit consulting, and investment consulting services to individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, or investment companies as disclosed on their respective Form ADVs.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING

We have adopted a Code of Ethics (Code). We recognize that we have a fiduciary duty to our clients in providing investment management services and we will act in our clients' best interests. Our Code includes:

- A requirement that our employees read the Code upon the start of their KIG employment, and annually thereafter, and that they certify they have read it;
- Rules regarding the giving and receiving of gifts and business entertainment;
- Rules for review and approval by us if our employees wish to engage in outside business activities;
- Rules regarding KIG or its employees making political contributions;
- Requirements that we review the Code on a periodic basis, and annually assess the risks that exist in our business;
- Rules for enforcing our Code and for reporting violations of our Code to our compliance staff; and
- Rules for reviewing and approving our employees' securities accounts and transactions.

We will provide a copy of our Code to our clients or prospective clients upon their request.

Personal Trading; Investing Alongside Clients

Our employees generally invest in the same securities (particularly equities) in which our advisory clients invest (our discussion of advisory clients in this context includes Green Owl, the Al Frank Fund, and CAPOX). Also, we recommend stocks in TPS in which employees and the Al Frank Fund invest. In addition, our affiliated hedge funds and related accounts, though managed according to a different strategy than that of KIG's separate accounts, usually invest in these securities at the same time that we recommend these securities for our advisory clients. We are

committed to our investment approach and security selection and therefore want to be invested in the same securities we recommend for advisory clients.

This is a conflict of interest. There is a risk that we will favor our own accounts or accounts of our performance-based fee earning affiliated hedge funds over accounts of our clients in the timing or allocation of security transactions. There is a risk that we may choose to buy a security in our personal accounts, or accounts that pay us performance-based fees, before we buy it in our advisory clients' accounts, or recommend it in TPS. There is also a risk that we may allocate a security in limited supply to our accounts or our affiliated hedge funds' accounts instead of accounts of our advisory clients.

Our Code is designed to help mitigate these risks:

- Employees must report all of their personal securities holdings, and those of members of their household ("under the same roof"). They are required to do so shortly after they start working at KIG, and annually thereafter;

- Generally, all employees must obtain approval from compliance staff when buying or selling in their own accounts the same securities owned by our clients;

- All employees are required to report securities transactions in their accounts, and accounts of those in their household. This includes transactions executed "away" from KIG. We review these transactions on a periodic basis;

- We conduct periodic reviews of the performance of employee accounts and whether employees buy or sell securities prior to buying or selling for clients;

- When our employees or our affiliated hedge funds invest in the same securities as our advisory clients, we generally execute those transactions at the same time and use an average price to complete the transaction. However, as discussed above in the section entitled "KIG's Affiliated Hedge Funds and Other Private Funds," because the hedge funds generally use different brokers (where applicable) than our separate account clients, we do not necessarily apply the same average price across all participating client accounts and hedge funds. In addition, client accounts within the AFAM Division and NorCap Division are spread across multiple custodians. To address this, we have implemented trade rotation policies and procedures. In connection with "firm-wide" trades, we rotate executions across several client account "groups." We have implemented trade rotation policies and procedures with the goal of providing equitable treatment to all of our client account groups, over time;

- A majority of the firm's employees' (and employee-related) accounts are held at KS/Pershing. When our employees invest in the same securities as our advisory clients, and if we cannot complete the entire desired transaction for all clients, we use a "lottery" system to determine on a random basis for which accounts the transaction will be completed. In lottery situations, employee and employee-related accounts are allocated after eligible client accounts are filled. KS/Pershing accounts are one of the "account groups" that are subject to our trade rotation policies and procedures. Certain employee and employee-related

accounts are held at other custodians as well. Therefore, in trade rotation situations, employee and employee-related accounts held at KS/Pershing, or other custodians, are filled before we move to the next client account group in the trade rotation. With respect to the AFAM Division, employee-related accounts that are managed according to a strategy are generally grouped with client transactions.

- Please see the disclosure above in the section entitled "Performance-Based Fees/Side-by-Side Management" for additional discussion of how we address these conflicts.

Participation or Interest in Client Transactions

As we noted above, we may recommend investments in which we or an affiliate has a financial interest. We will only make this recommendation if the investment is suitable for the client. We will consider the clients' net worth, risk tolerance, and sophistication in this regard. We have described these investments in the section above entitled "KIG's Investment Advisory Business – Investment Management – Other Types of Securities – Hedge Funds."

This is a conflict of interest. Please see the discussion in the sections above entitled "Fees and Compensation – Use of KS for Client Trades; Conflicts of Interest" and "Performance-Based Fees/Side-by-Side Management."

BROKERAGE PRACTICES

General

Our advisory clients pay brokerage commissions for execution of securities transactions in their accounts. The broker selected may assess these commissions, in part, as a minimum charge per trade. One reason for this is to help cover the per trade cost that is charged by the custodian or clearing firm. If the number of shares involved in the transaction is large, the broker's commission may be assessed as an amount per share. These commissions are in addition to the investment management fees clients pay to KIG.

KIG considers the following when selecting brokers for client trades and determining the reasonableness of their compensation in cases where the client does not select the brokers for its trades (see the section below entitled "Directed Brokerage"):

- Cost of execution (the commission);
- Execution price and timing;
- Accessibility and responsiveness of broker staff;
- Quality, depth, and breadth of services the broker offers;
- Tools and applications the broker provides to benefit our clients;
- The broker's willingness to accommodate clients' special needs;
- Access to liquidity (to facilitate our sales and minimize market price impact);
- Protection of confidential information;
- Trade allocation policies;

- Trade error correction policies; and
- The broker's integrity, reputation and financial condition.

Use of KIG's Affiliated Broker

Subject to our obligation to obtain best execution, and the client's ability to request that KIG direct brokerage to other broker-dealers, or to terminate our ability to use KS, we use KS as broker to execute trades for a large portion of our client accounts (including trades for Green Owl). KS and KIG are affiliated. KS clears transactions through Pershing. Pershing is generally the custodian for KIG advisory client accounts when KS is selected as the broker.

Our primary consideration for broker selection is obtaining the best execution for client trades. KIG's use of KS is a conflict of interest. KIG and KS have the same owner and executive officers, and they benefit from commissions that KS receives.

When KIG uses KS for client trades, a portion of the commission is retained by KS's clearing firm for charges related to clearing and settlement, and for creation and transmittal of trade confirmations (called a "postage and handling" fee as noted above). A portion of the overall commission is also retained by KS. KIG could initiate more transactions for advisory clients than would be in the best interests of the clients to generate more commissions for KS and its owner (the same entity that owns KIG).

KIG generally chooses KS to execute client security transactions to:

- Ensure efficient coordination between the investment management and brokerage functions (that is, we have complete control over both aspects of managing client investments);
- Ease of communication between investment manager and broker (KIG and KS share personnel and office space);
- Control commission charges to ensure reductions from stated rates when appropriate and to provide fair trade error correction (see discussion below in the section entitled "Directed Brokerage"); and
- Avoid inappropriate broker selection that might result when brokers compete for and try to influence the adviser's broker selection.

As noted above, KIG employees are incentivized to grow clients' assets over time, and they receive higher compensation when client assets grow. This reduces employee temptation to inappropriately trade frequently. A very high percentage of the firm's aggregate revenue is investment management fees to KIG, charged on the value of assets managed (and not commissions paid to KS). Frequent trades are not consistent with the KIG investment philosophy described above.

For additional discussion of KIG's selection of KS, its affiliated broker-dealer, to execute trades for KIG's advisory clients, see below the section entitled "Directed Brokerage."

Receipt of Soft Dollar Benefits

We receive hardware and software tools, administrative and reporting tools, and research and other items as a result of the relationship between KS and Pershing, and through our prime brokerage

relationship with our affiliated hedge funds. Certain tools and research products benefit all KIG clients, while the tools available through our prime brokerage relationship benefit only the accounts held at the prime broker.

We do not have to pay separately for these tools and research products and we benefit from that. We may have an incentive to enter these relationships based on our receipt of these tools and research products rather than on our clients' interest in receiving best execution. However, we believe that the receipt of these tools and products is customary and is not a material element of the relationships. In addition, the receipt of these tools is not dependent on the amount of commissions or frequency of trades in client accounts.

Trade Errors

If trade errors occur, we intend to make our clients whole whether the error is caused by us, our affiliated broker-dealer (KS), the clearing firm, or an unaffiliated broker (such as Charles Schwab & Co., Inc. ("Schwab"), TD Ameritrade, Inc. ("TD Ameritrade"), or Fidelity Brokerage Services, LLC ("Fidelity")). When we use KS, we have control over trade error resolution. This includes discretion as to how we allocate erroneous trades to other accounts. We have policies and procedures governing this process, including the following:

- On a quarterly basis, we net gains and losses related to trade errors. However, we do not net trade error losses for one client against trade error gains to another client for purposes of reimbursing a particular client for error losses. In other words, the client impacted by a trade error loss will not bear that loss. If such calculations result in losses, KIG bears those losses.

- KIG occasionally makes charitable donations. These decisions are made by the firm's principals, and are independent of the firm's daily trading and investment management activities. They are not made according to any specific timetable. To the extent KIG's cumulative charitable donations are greater than the cumulative net gains from trade errors, the firm will not make additional charitable donations as a result of trade errors. To the extent the cumulative net gains from trade errors *exceed* the amount of cumulative charitable donations, KIG will ensure that additional charitable donations are made such that they are no less than such cumulative net gains.

- For purposes of its error policies and procedures, KIG calculates cumulative net gains and cumulative charitable donations on a calendar year basis.

We receive an economic benefit if we are allowed a tax deduction for charitable donations. In addition, we may, in our sole discretion, decide to credit investment management fees as a way of correcting trade errors in client accounts.

If errors occur when KIG uses unaffiliated brokers, KIG has limited ability to control their resolution. These brokers typically have their own policies and procedures for corrections, administering gains and losses, and charitable donations, for example.

Aggregation and Rotation

We typically aggregate or group advisory client transactions in the same securities when executed on the same day to ensure efficient trade execution. This also allows us to provide an average price for each client trade, minimizes the risk of preferential treatment for certain clients over others, and is consistent with our obligations to obtain the best execution for client trades. While this practice also applies to client accounts within the firm's AFAM Division, and within the NorCap Division, the firm does not necessarily aggregate client transactions in the same security *across* the firm's divisions. KIG recognizes that it has multiple "investment teams" and multiple investment strategies, and will consider aggregating trades across its divisions if it believes it is beneficial to clients to do so.

However, we acknowledge that our clients' assets are held across multiple custodians and various broker platforms. This includes the firm's affiliated hedge funds, related separate accounts, and other accounts held away from KS/Pershing, for example. Our control over the execution of client trades varies across these custodians and platforms. In addition, while we are able to aggregate trades for clients that are held at the same broker, custodian, or platform, in certain cases we are not able to aggregate trades across them.

Therefore, in order to minimize the risk of preferential treatment to certain clients over others, we have implemented a trade rotation policy. We have organized our clients' accounts into broad account groups. When we execute client trades across multiple custodians and platforms, we will rotate through these client account groups, with the goal of achieving fairness of execution and equitable client treatment over time.

Although clients receive an average price for the security transaction when we group transactions at each custodian or platform, clients do not share the aggregate commissions charged for these trades on a pro rata basis. Each client pays a commission as referenced in its management agreement (or discounted, where appropriate). The commission amounts that each client pays (to KS or other brokers) may vary depending on the size or nature of the relationship. Therefore, some clients pay higher or lower commissions than other clients, even if purchasing or selling the same securities. Pershing does not reduce its clearing/settlement charges based on the size of a transaction order that KS executes on behalf of clients.

Directed Brokerage

When clients hire us to be their investment adviser, we require them either to (1) open an account with KS, our affiliated broker-dealer, and direct KIG to use KS to execute transactions, or (2) direct us to use another broker-dealer. We do not require, but we do recommend, that clients allow us to execute trades with KS (subject to our obligation to obtain best execution, the client's ability to request that KIG direct brokerage to other broker-dealers, and the client's right to terminate our ability to use KS at any time). We generally do not accept clients who do not either direct brokerage to KS or to another broker-dealer. Not all investment advisers require their clients to direct brokerage to certain brokers for execution of trades (in our case, to KS or to some other broker-dealer of the client's choosing).

Advisory clients are free to direct KIG to use brokers other than KS to execute securities transactions. As noted above, in deciding whether or not to accept an advisory client, however, KIG will take into consideration the client's selection of broker-dealers or custodians in connection

with the advisory relationship. In this regard, if a client does not choose to open an account with KS, the firm generally requires the client to open (or already have) an account with either Schwab, TD Ameritrade, or Fidelity. KIG (including its AFAM Division and NorCap Division) will accept clients who use other broker-dealers/custodians at its sole discretion.

If a client directs us to use a broker other than KS (in other words, if the client chooses Schwab, TD Ameritrade, Fidelity, or another broker/custodian altogether):

- We may have a limited ability to negotiate commission rates or discounts on commission rates on the client's behalf;

- We generally do not have the ability to aggregate or group trades at such brokers with trades that KS executes for clients. We are unable to apply an average price for trades executed by unaffiliated brokers with trades executed by KS. This results in the client paying a different total price than obtained by clients held at KS/Pershing, even if the trades are executed on the same day and in the same security;

- We cannot guarantee that the selected broker will average price trades executed for the client with trades that broker executes for other KIG clients, and we cannot guarantee that the broker will share or spread aggregate commissions for these trades among the various KIG client accounts it services;

- We have limited ability to ensure best execution of trades executed with a broker other than KS. *However, this does not mean that you will not receive best execution if you direct us to use a broker other than KS*; and

- The client may pay different (whether higher or lower) commission rates than those charged on trades that KS executes.

We are required to obtain best execution when we choose the broker to execute our clients' trades. This is true even if the client directs us to use our affiliated broker-dealer, KS. If we fail to obtain best execution it will cause our clients to pay more money to execute its trades or receive a less favorable price.

We are <u>not</u> stating that our clients will get best execution only if we execute trades through KS or that they will not get best execution if we execute trades through a different broker selected by the client.

If a client does not receive best execution, whether with trades executed by a broker of its choice or with trades executed by our affiliated broker-dealer, KS, the client may pay more money for the executed trade, or receive a less favorable price.

REVIEW OF ACCOUNTS

Periodic Reviews and Reporting

KIG reviews client accounts on a regular and continuous basis. At a minimum, our portfolio/account managers review accounts quarterly. We also conduct reviews based on other triggers such as significant life events (retirement, receipt of an inheritance, etc.), firm-wide purchases or sales of securities, and bond maturities.

Our portfolio managers consider the following when periodically reviewing their clients' accounts:

- Securities held in the account;
- Position sizes;
- Suitability;
- The client's investment objective;
- Asset allocation, including allocation to private funds and mutual funds (whether or not such investments are affiliated with KIG); and
- The client's risk tolerance.

Our separate client accounts receive periodic account statements (usually monthly) and trade confirmations directly from their broker and/or custodian of their assets. We also provide certain clients quarterly account statements, annual tax reports, and various other reports from time to time. We encourage our clients to compare their brokerage and/or custodial statements to the statements we provide, as applicable.

Valuation of Securities in Client Accounts

In administering our clients' accounts, we receive security pricing information from several different custodians, depending on which broker/custodian the client has selected for his/her account(s). While clients may hold the same securities across various custodians, the pricing information that we receive in our systems can potentially vary by custodian. This is because each custodian may use different third-party vendors or methods for valuing securities.

In spite of these potential differences, KIG uses the pricing information received from its primary custodian, Pershing. This is for efficiency reasons, as a vast majority of KIG's clients' accounts are held at Pershing (as noted above, Pershing is the clearing firm for KS). This pricing information is reflected firm-wide, in much of its investment management, trading, and reconciliation processes. Pershing obtains its pricing information from an industry-recognized pricing vendor, a vendor that other custodians use as well. The firm's AFAM Division also receives pricing information from the same vendor that Pershing uses. In addition, the NorCap Division receives pricing information from the same vendor. As such, the periodic reports that KIG sends to clients, and the firm's billing practices reflect pricing information received from that vendor. Ultimately, the vendor's pricing information is used on a firm-wide basis, regardless of the custodian that the client has selected for his/her accounts (for example, Schwab, TD Ameritrade, or Fidelity).

As noted above, we encourage our clients to compare their brokerage and/or custodial statements to the statements we provide, as applicable.

CLIENT REFERRALS AND OTHER COMPENSATION

We have agreements with unaffiliated third parties who refer clients to KIG. We pay these third parties a portion of the investment management fees we receive for managing the accounts of the referred clients. The referred clients receive disclosure about the nature of our arrangement and the portion of the management fees that we pay for the referral.

We are involved in various platforms, including "model," "wrap," and sub-advisory arrangements. Under these arrangements, the primary advisers pay us a portion of the fees that they collect from their clients. We also act as sub-adviser for a mutual fund, for which we serve as sole sub-adviser. We are paid fees by the primary adviser of the mutual fund.

Focus, our parent company, periodically holds partnership meetings and other industry-related conferences, which are typically attended by Focus firms and outside parties. These meetings provide sponsorship opportunities for asset managers, custodians, and other vendors. These companies pay sponsorship fees to Focus in order to advertise their products and services to Focus firms, including KIG, and to get access to their employees to discuss ideas, products and services. This is a potential conflict in that the activities and the access at such meetings and conferences may lead the firms' employees to focus on those conference sponsors at the expense of their duties and responsibilities. Focus attempts to address this potential conflict: the sponsorship fees cover the cost of such meetings or future meetings and are not revenue for Focus or its affiliates. Also, sponsorship fees do not depend on referrals of assets (for example, those of KIG's clients) to any specific provider, or the revenue generated by such referrals.

Schwab, Orion Advisor Services, LLC, Fidelity, and BlackRock, Inc., have provided conference sponsorship to Focus in the last year.

CUSTODY

We have the authority to direct our clients' brokers or custodians to pay us our management fees directly from client accounts. As we described in the section above entitled "Review of Accounts," clients receive periodic account statements and trade confirmations directly from their broker and/or custodian of their assets. We also directly provide account statements and other reports to certain clients on a periodic basis. We urge our clients to carefully review the statements they receive and to compare the statements we provide with the statements they receive directly from their broker or custodian.

While we generally avoid obtaining the authority to hold or obtain possession of client funds or securities in connection with the advisory services we provide to clients, we do have custody in the following ways:

- Our employees may occasionally serve as trustee (or co-trustee) of client trust accounts to which we provide advisory services. We also have full electronic access (rather than limited, "trading-only" or "read-only" access) to certain client accounts for purposes of entering transactions. As such, we have the authority to control the trading and movement of assets in and out of such client accounts. We have various controls in place to monitor such activity and protect the accounts. In addition, we have engaged a third party accounting firm to conduct surprise exams of the applicable client accounts, as required by SEC rules; and

- We have custody of the assets in our affiliated hedge funds because we are the general partner of such funds. As such, we have control over the trading and movement of assets in and out of such funds. We have various controls in place to protect the assets in such funds. We use an independent third party to administer the hedge funds, and to provide statements to the fund investors on a periodic basis. In addition, we use an independent accounting firm to audit the financial statements of our hedge funds on an annual basis. We then distribute the auditor's reports to the funds' underlying investors, as required by SEC rules.

INVESTMENT DISCRETION

We provide discretionary investment management services to our clients. This means that when clients hire us they give us trading authorization. We do not need specific approval from clients each time we decide to purchase or sell securities in the accounts that we manage for them. Clients give us discretionary trading authority by executing our investment advisory agreement when they hire us to manage their assets.

As we have described in the section above entitled "KIG's Investment Advisory Business," clients can limit our trading authority by restricting us from purchasing or selling certain securities.

VOTING CLIENT SECURITIES

Proxies

We vote client securities (proxies) held in individual client accounts if we specifically agree to accept this authority and responsibility in writing (although clients may always contact us with questions on proxy matters). Clients typically receive voting and proxy information directly from the issuers of the securities in their accounts.

For institutional clients, including mutual fund clients such as Green Owl, the Al Frank Fund, and CAPOX, and in connection with model, wrap fee, or other similar relationships, we will vote proxies if the client or sponsor, etc., delegates, and we agree to accept, such authority.

We acknowledge that conflicts of interest can arise which can affect how we vote proxies. We address conflicts of interest by first determining whether or not we have a material business relationship with the issuer. We then work with our third party proxy voting service provider to determine whether or not it intends to vote on the specific matter. We may then "override" the

provider's vote instruction, or otherwise instruct the provider to vote in a certain way that is, in our judgment, consistent with our clients' best interests.

We serve as general partner of our affiliated hedge funds. As such, we have authority to vote securities held by such entities. We do not, however, as a general matter, exercise our authority to vote proxies on such funds' behalf.

We will provide a copy of our Proxy Voting Policy to our clients or prospective clients upon their request.

Class Action Claims – General

As is outlined in our standard investment advisory agreement, clients, rather than KIG, are generally responsible for filing claims related to class-action lawsuits and other legal or administrative proceedings on behalf of securities held in their accounts. From time-to-time, however, KIG periodically provides guidance to clients or assists in preparing and submitting claim forms on behalf of clients. This depends on several factors: how efficiently and effectively it is able to retrieve applicable information from its systems; whether or not, in KIG's judgment, the potential recovery to the client is substantial; and after considering various other facts and circumstances. KIG periodically assists its clients on these matters as an accommodation, and as a professional courtesy, but clients retain responsibility for such filings.

Class Action Claims – NorCap Division

While the above firm policy applies to most of KIG's clients, the NorCap Division generally handles filing of class action claims on behalf of clients. The NorCap Division has hired a third party vendor to assist with monitoring, filing, and distributing of funds to clients, where applicable.

FINANCIAL INFORMATION

Not applicable.